



## Deal Certainty Remains with Calfrac; Three Key Problems with Wilks Brothers' Takeover Bid

October 8, 2020

***The Board Recommends that Shareholders VOTE FOR on the white proxy form.***

CALGARY, AB, Oct. 8, 2020 /CNW/ - Calfrac Well Services Ltd. ("**Calfrac**" or the "**Company**") (TSX: CFW) responded today to the latest press release from Wilks Brothers, particularly highlighting the continuing deficiencies and omissions in the information that Wilks Brothers has provided to Calfrac Shareholders. As before, the Wilks Brothers offer is conditional, uncertain and appears to be in violation of applicable securities laws.

**Calfrac's Amended Recapitalization Transaction continues to offer deal certainty, while the Wilks Brothers takeover bid will result in a significant risk of no cash to Shareholders; NOT the \$0.18 or \$0.25 cash being advertised.**

### **Three Key Problems with the Wilks Brothers Offer**

The **three key problems with** Wilks Brothers' takeover bid and its new undisclosed condition are:

--- **material risk** that the Wilks Brothers takeover bid may confuse Shareholders into not receiving **ANY** cash, because if the Amended Recapitalization Transaction is not approved, then Calfrac will complete a CCAA transaction and the Wilks Brothers takeover bid conditions will not be met;

--- **material uncertainty** whether the soon-to-be-revised Wilks Brothers' takeover bid actually works, or is even permissible under securities laws; and

--- **material uncertainty** whether, if Wilks Brothers were to actually be successful in defeating the Calfrac Shareholder votes at the upcoming meeting, **Calfrac can still survive intact.**

### **The Wilks Brothers New, Unknown Mystery Condition Increases the Clear and Present Risk to Shareholders**

Wilks Brothers has announced that it will be amending the conditions to its takeover bid, possibly due to a structural error in the original offer, but only Wilks Brothers knows for sure.

Whatever is going on, Wilks Brothers has steadfastly refused to say what the new conditions will be. According to its own press release, it plans to make this disclosure right before, or just after, the deadline for Shareholders to submit their votes on Calfrac's Amended Recapitalization Transaction (which is quickly approaching). **This disclosure delay by Wilks Brothers is both intentional and patently unfair to Shareholders.**

Irrespective of the new mystery condition, the fact remains that the only certain path to cash consideration is the Amended Recapitalization Transaction. By far the most likely outcome, if the Amended Recapitalization Transaction does not receive Shareholder support, is a CCAA outcome where Shareholders will receive no cash consideration or warrants.

### **Can Wilks Brothers' Takeover Bid Actually Work?**

Wilks Brothers' proposal to adversely amend its takeover bid will immediately open the question of whether such an amendment is even permissible under securities laws, or whether an entirely new takeover bid, or other deal structure, will be required.

Wilks Brothers has also announced that it will be amending the aggregate purchase price for all Shares acquired to not exceed **\$21,103,250**.

The type of amendments that Wilks Brothers is proposing, including adding conditions to an existing offer, could: (i) cause the offer to no longer be available to all Shareholders at the time of expiry; (ii) potentially result in all Shareholders at the time of expiry not being offered identical consideration; and/or (iii) result in disproportionate take-up; each of which is **incompatible with securities laws. In plain terms, the Wilks Brothers deal structure appears to not work, now or later.**

Of note, the capped cash amount provided in the Wilks Brothers offer would equate to only about \$0.01 for each of Calfrac's pro forma shares outstanding after the original Recapitalization Transaction is completed, as opposed to the \$0.25 portrayed by Wilks Brothers.

**In any event, it is certainly not clear that the Wilks Brothers takeover bid is actually legal or workable.**

### **What Does Wilks Brothers Think Will Happen if It Defeats the Amended Recapitalization Transaction?**

Is Wilks Brothers motivated to pay out cash to Shareholders, or to push Calfrac into insolvency as it is actively pursuing in the courts?

Some observers seem to have missed the point that if the Amended Recapitalization Transaction is defeated next week, the alternative outcome is not the Wilks Brothers offer.

As has been disclosed multiple times, Unsecured Noteholders are still owed US\$431.8 million, plus accrued interest. Without Unsecured Noteholder support, there can be no recapitalization of the Company. The fact that holders of 78% of the Unsecured Notes have contractually agreed to vote **in favour** of the Amended Recapitalization Transaction, and are **explicitly unwilling to support the Wilks Brothers proposals**, means that the only two recapitalization options that can be executed are the Amended Recapitalization Transaction (with Shareholder support) or the original Recapitalization Transaction (in CCAA, without Shareholder support). Shareholders must not be fooled by the mirage that Wilks Brothers has created.

If Shareholders do not support the Amended Recapitalization Transaction, then the original Recapitalization Transaction will still proceed under CCAA.

The Board of Directors believes that the consideration of **\$0.15 per share cash plus two warrants per share**, under the Amended Recapitalization Transaction, is a significantly better outcome for Shareholders than a CCAA path. The Amended Recapitalization Transaction is a clear and certain path for Shareholders. The Wilks Brothers takeover bid is highly uncertain in terms of execution, conditions, and the likelihood of ever being completed. The principal purpose of the Wilks Brothers takeover bid is to distract Shareholders and disrupt the Amended Recapitalization Transaction.

In addition, even if the Wilks Brothers takeover bid could be completed (which is extremely unlikely), it would be a change of control under all of Calfrac's loan documents, triggering an immediate insolvency. **The Amended Recapitalization Transaction does not face this hurdle.**

Thus, a failure of the upcoming Calfrac Shareholder vote may also push Calfrac into insolvency, accomplishing what Wilks Brothers has sought several times already, **at great expense to all involved.**

### **Is There a Secret Wilks Brothers Agenda?**

Wilks Brothers has failed to ever deal with any sort of a plan for such a fundamental matter as the plainly visible conflicts of interest that would arise between Calfrac and ProFrac.

That is because Wilks Brothers likely never intends to maintain two companies. If the **Wilks Brothers agenda includes the imminent, but undisclosed, merger of Calfrac and ProFrac**, the imbalanced negotiating situation would leave the Calfrac Shareholders bereft of alternatives and vulnerable to be fleeced by its majority shareholder, whose greater economic interest would clearly be on the opposite side of the deal.

### **Conclusion**

The summary outlined above leads the Board of Directors of Calfrac to once again urge Shareholders:

- (i) to focus on Shareholder economics;
- (ii) to carefully consider deal certainty;
- (iii) to consider the downside risks of the alternative; and
- (iv) to look at all of the terms and conditions involved (including any newly added and as yet unclear conditions).

**Shareholders and Unsecured Noteholders are reminded that the meetings previously scheduled for September 29, 2020, have been postponed to October 16, 2020.**

**Any questions or requests for further information regarding voting at the meetings or revoking proxies should be directed to Kingsdale Advisors by: (i) telephone, toll free in North America at 1 (877) 659-1822 or at (416) 867-2272 outside North America, or (ii) e-mail to [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).**

**Further details regarding the Amended Recapitalization Transaction are available on Calfrac's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on Calfrac's website at [www.calfrac.com](http://www.calfrac.com).**

**If you have any questions regarding the above, or related to the Amended Recapitalization Transaction, please contact Scott Treadwell, Vice President, Capital Markets and Strategy at (403) 266-6000.**

**Calfrac's common shares are publicly traded on the Toronto Stock Exchange under the trading symbol "CFW". Calfrac provides specialized oilfield services to exploration and production companies designed to increase the production of hydrocarbons from wells drilled throughout western Canada, the United States, Argentina and Russia.**

**All references to "\$" are to Canadian dollars, unless otherwise indicated.**

**This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward-looking statements and information relating to the completion of the proposed Amended Recapitalization Transaction; potential outcomes for Shareholders, including in the event that the Amended Recapitalization Transaction is approved or not and the possible consequences of a CCAA proceeding; the executability of the Amended Recapitalization Transaction; the viability of and conditions to the Wilks Brothers Offer, including the value per share of the Wilks Brothers Offer under certain scenarios; potential outcomes if the Wilks Brothers Offer is successful or not; the potential motivations and intentions behind the Wilks Brothers actions and omissions; and Calfrac's expectations and intentions with respect to the foregoing.**

**These forward-looking statements and information are based on certain key expectations and assumptions made by Calfrac in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances, including, but not limited to, the following: the Amended Recapitalization Transaction will be completed as proposed; the written statements of intention of the Consenting Noteholders; precedent decisions by Canadian securities regulators with respect to the scope of exemptive relief available under takeover bid legislation; economic and political environment in which Calfrac operates; Calfrac's expectations for its customers' capital budgets and geographical areas of focus; the effect unconventional oil and gas projects have had on supply and demand fundamentals for oil and natural gas; Calfrac's existing contracts and the status of current negotiations with key customers and suppliers; the effectiveness of cost reduction measures instituted by Calfrac; and the likelihood that the current tax and regulatory regime will remain substantially unchanged.**

**Although Calfrac believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information as Calfrac cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with: Calfrac's ability to continue to manage the effect of the COVID-19 pandemic on its operations; actions taken by Wilks Brothers; decisions by Canadian securities regulators and/or the courts; default under the Company's credit facilities and/or the Company's senior secured notes due to a breach of covenants therein; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; failure of existing Shareholders and Unsecured Noteholders to vote in favour of the Amended Recapitalization Transaction; failure to receive any applicable regulatory approvals in respect of the Amended Recapitalization Transaction; global economic conditions; along with those risk and uncertainties identified under the heading "Risk Factors" and elsewhere in the Management Information Circular dated August 17, 2020, as supplemented by the Material Change Report dated September 25, 2020, and Company's annual information form**

dated March 10, 2020, each as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

***The forward-looking statements and information contained in this press release are made as of the date hereof and Calfrac does not undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. This press release is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent an exemption from registration under the Securities Act of 1933.***

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