



## Calfrac Files Circular for Recapitalization Transaction; Confirms Key Information; and Sets the Record Straight about Wilks Brothers

August 21, 2020

- **The Recapitalization Transaction remains the only transaction being voted upon, notwithstanding other contrary assertions in the media.**
- **The Recapitalization Transaction already has the contractual support of 78% of Senior Unsecured Noteholders and 23% of Shareholders.**
- **The board of directors of Calfrac unanimously recommends that all Senior Unsecured Noteholders and Shareholders of Calfrac VOTE FOR the Recapitalization Transaction, as proposed.**
- **The Recapitalization Transaction is the only available alternative to potentially very adverse outcomes for Calfrac and its stakeholders.**

CALGARY, AB, Aug. 21, 2020 /CNW/ - (TSX: CFW) Calfrac Well Services Ltd. ("Calfrac" or the "Company") announced today that it has filed a Management Information Circular (the "Information Circular") with respect to its previously announced Recapitalization Transaction and the upcoming Meetings of Senior Unsecured Noteholders and Shareholders (the "Meetings"), to be held in Calgary on September 17, 2020. The Information Circular has been posted on SEDAR and the Company's website.

The reasons that the Recapitalization Transaction is necessary are well-known: the energy demand destruction resulting from the COVID-19 pandemic; a significant global oil price war during 2020; and dramatically lower customer demand for oilfield services.

Calfrac now has more indebtedness than is sustainable, notwithstanding extensive prior efforts to reduce its debt. Calfrac's capital structure and liquidity position are no longer tenable, and without the Recapitalization Transaction, Calfrac would have insufficient financial flexibility to advance its business going forward. The Recapitalization Transaction resolves the Company's capital structure and liquidity issues.

The Recapitalization Transaction is the result of an extensive review of alternatives, and arms-length negotiation with creditors. The Company's process included invitations to Wilks Brothers to participate in constructive restructuring discussions.

The Recapitalization Transaction provides the following benefits:

- It is actionable and comprehensive. It materially lowers Calfrac's debt by \$571.8 million and annual interest expense by \$52.7 million. Liquidity improves through a new \$60 million 1.5 Lien Note issuance. It averts any reasonable prospect of a near term insolvency;
- Calfrac remains an independent company, free of competitor control. This preserves the ability to pursue future value-enhancing or change of control transactions in more advantageous market conditions; and
- Shareholders and Senior Unsecured Noteholders retain the opportunity to participate in the economic benefit of Calfrac share ownership as business conditions improve.

### **Wilks Brothers Considerations**

Wilks Brothers, LLC ("Wilks Brothers"), a direct competitor of Calfrac, has publicly proposed an alternative transaction (the "Wilks Brothers Proposal"), which has **not been accepted** by Calfrac or supported by the majority of its Senior Unsecured Noteholders.

Wilks Brothers, a private entity, appears to have extensive business interests. Of note are: its 100% ownership of a direct competitor of Calfrac, ProFrac Services, LLC ("ProFrac"); its ownership of securities in other oilfield services companies; and its ownership of Second Lien Notes and Senior Unsecured Notes of Calfrac Holdings LP, as well as 19.78% of the common shares of Calfrac.

Wilks Brothers has recently taken many actions in the pursuit of its own agenda. Stakeholders should carefully evaluate Wilks Brothers' true motives.

Calfrac identifies the following **four main issues** with the Wilks Brothers Proposal in the Information Circular.

#### **1. The Wilks Brothers Proposal does not explain the business logic of a 100%-owned direct competitor (ProFrac) prospectively competing in business with a public company (Calfrac) in which Wilks Brothers proposes to own a controlling interest of in excess of 60%.**

Wilks Brothers has failed to explain its business logic. Unaddressed issues include: which company would compete for which clients' work; how clients would actually be served; how each company would quote pricing; how the entities would compete for capital, people and supplies; and how the businesses would generally function without continuously colliding. These matters have all been ignored by Wilks Brothers. It is also unclear whether the Wilks Brothers Proposal could simply be a precursor to a later planned merger or other transaction, possibly between ProFrac and Calfrac, a situation in which the Calfrac minority shareholders would have limited or no other alternatives.

#### **2. In addition to the competitive and other conflicts, any implementation of the Wilks Brothers Proposal would likely negatively impact the trading value and liquidity of Calfrac's common shares. It would limit the opportunity of any other acquiror being able to purchase Calfrac at a premium in the future.**

Giving up control of the Company's future destiny is a matter of considerable importance to stakeholders. If Calfrac, was majority-controlled by its

competitor, Wilks Brothers, it would likely be continuously attributed a lower ongoing valuation by the stock market. This is critically important, given that the recoveries that are being suggested by Wilks Brothers rely entirely on the value of the shares to be received by Senior Unsecured Noteholders and Shareholders of Calfrac. In addition, other industry participants would be unable to acquire a restructured Calfrac that would already be controlled by Wilks Brothers, thereby denying Calfrac shareholders the opportunity to receive a potential premium in the future.

**3. The Wilks Brothers Proposal seeks to secure for the Wilks Brothers a change of control of Calfrac, without paying any premium to Shareholders.**

The Wilks Brothers Proposal is a thinly-veiled change of control transaction offering no change of control or "takeover" premium to Shareholders.

The Recapitalization Transaction will preserve Calfrac's ability to consider future corporate alternatives, and would not prohibit Calfrac from subsequently executing a consensual deal with anyone.

**4. Wilks Brothers is a wolf in sheep's clothing and its actions seem intended to intimidate Shareholders and Senior Unsecured Noteholders. Wilks Brothers has provided incomplete information regarding the Wilks Brothers Proposal and has made public statements that are factually incorrect or misleading.**

Wilks Brothers was repeatedly invited to join the stakeholder negotiations that eventually led to the Recapitalization Transaction. Wilks Brothers only engaged with Calfrac, pursuing its own agenda and interests, after other investors had already stepped forward to finance the Recapitalization Transaction and the terms of the Recapitalization Transaction were made public. Since the announcement of the Recapitalization Transaction, Wilks Brothers has opposed the court ordered stays that would permit a restructuring of Calfrac's capital structure to proceed. So far, Wilks Brothers has on four occasions opposed the protective court applications being made by Calfrac in Canada and the United States, including arguing to the U.S. Court that Calfrac should be put into insolvency.

The numerous positive aspects of the Recapitalization Transaction presented by Calfrac, and the serious deficiencies with the Wilks Brothers Proposal, should now make the path clear:

Shareholders and Senior Unsecured Noteholders should **VOTE FOR** the Recapitalization Transaction.

**Meeting and Voting Information**

The Meetings in respect of the Plan of Arrangement are scheduled to be held on September 17, 2020 in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta. Pursuant to the Interim Order, the Senior Unsecured Noteholders' Meeting is scheduled to begin at 1:00 p.m. (Calgary time), and the Shareholders' Meeting is scheduled to begin at 2:00 p.m. (Calgary time). The previously obtained Interim Order also authorized a new record date (the "**Record Date**") for purposes of voting at the Meetings, being 5:00 p.m. (Calgary time) on August 10, 2020.

**The deadline for Senior Unsecured Noteholders and Shareholders to submit their proxies or voting instructions in order to vote on the Plan of Arrangement and other items to be considered at the applicable Meeting is 5:00 p.m. (Calgary time) on September 15, 2020.**

Senior Unsecured Noteholders that wish to receive their pro rata share of the 6% Early Consent Consideration (as defined in the Information Circular) must submit to their intermediaries on or prior to 5:00 p.m. (Calgary time) on September 8, 2020, *or such earlier deadline as their intermediaries may advise*, the required documentation or information described in the Information Circular.

Any questions or requests for further information regarding voting at the Meetings 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 of North America; or (ii) e-mail to [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).**

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: (a) the completion of the proposed Recapitalization Transaction, including expected reductions in total debt and cash interest expenses, the Company's ability to pursue future value-enhancing or change of control transactions and the Shareholders and Senior Unsecured Noteholders' ability to participate in future economic benefits of the Company; and (b) the Wilks Brothers Proposal, including the operation of the Company under Wilk Brothers' control and the effects on trading value and liquidity of Calfrac's common shares.

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 Recapitalization Transaction will be completed as proposed; Calfrac's expectations regarding trading value and liquidity if it were subject to competitor control; 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; default under the Company's credit facilities and/or the Company's senior 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 Senior Unsecured Noteholders to vote in favour of the Recapitalization Transaction; failure to receive any applicable regulatory approvals in respect of the Recapitalization Transaction; global economic conditions; along with those risk and uncertainties identified under the heading "Risk Factors" and elsewhere in the Information Circular 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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