

Oilfield Services

- Probably the greatest industry in the world...



Building a better
working world

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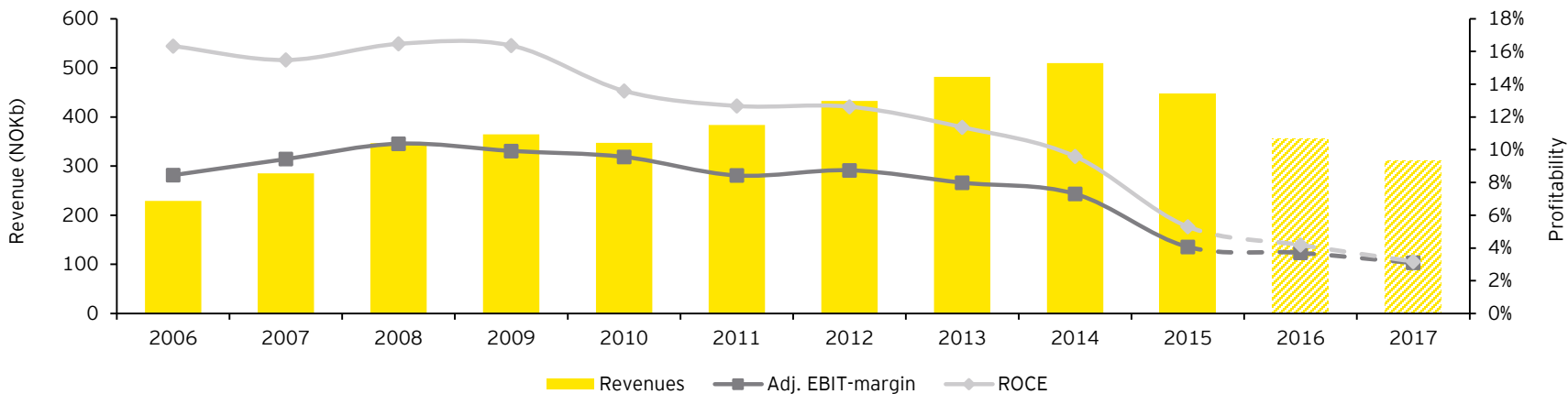
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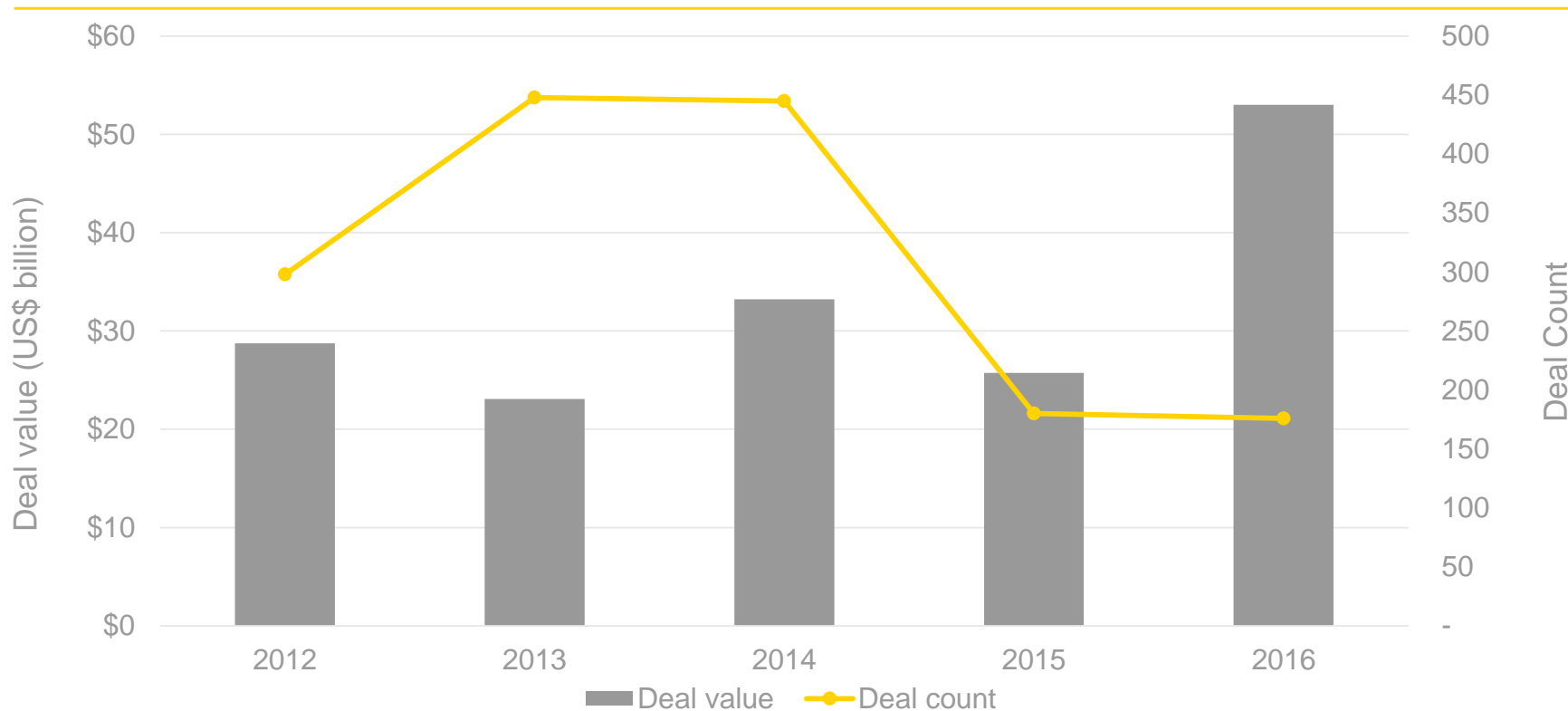
Norwegian OFS Industry trend

OFS revenue and profitability development 2006 - 2017



- ▶ Revenues down from 447 bNOK in 2015 to 355 bNOK in 2016 (-21%), with further revenue decline to 310 bNOK in 2017 (-13%) (For comparison: 2007-revenues = 285b)
- ▶ Adjusted EBIT (EBITI) margin (excl. impairment) continues decline from 4% in 2015 to 3% in 2017.
- ▶ Revenues have been supported by appreciating NOK over the past two years.
- Further appreciation going forward is considered less likely
- ▶ Going forward, the revenue decline will shift from labour-intensive subsegments (e.g. yards and M&M) to more capital-intensive (e.g. rig companies and supply), and OEM export oriented companies

Oilfield services (OFS) deal value increases despite decline in volume



Top 5 themes

Internationalisation

The oilfield services industry is one of the Norwegian export success stories. However, in 2015 the total value of exports decreased for the first time since our review commenced in 2006 and as a proportion of total activity had decreased to 32%, from a high of 38% in 2014.

Given the maturity of the Norwegian Continental Shelf, what more can be done to target higher growth regions and build international businesses of scale?

Technology

The oil and gas industry has traditionally been regarded as one of the world's most advanced users of technology. With ever-increasing volumes of data able to be handled, data analytics and digital technology has the potential to transform operating models.

With the pressure on costs, how does Offshore production areas maintain investment and continue to ensure it is at the forefront of innovation?

People

Recent years have been very challenging for people working in the oilfield services industry, with many businesses going through several cost cutting exercises and now operating with the leanest workforces they have had for many years.

When activity increases, how will the sector address potential skill shortages and ensure there is not a return to a 'war for talent'? What can be done to maintain the attractiveness of the sector to young people entering the workforce?

Consolidation

Globally, the oilfield services industry is adapting to the new price environment and is starting to consolidate in response to the fundamental changes in its customer base and the impact of technology.

How will Norwegian companies respond? Will they join the early movers or will many investors see this as an opportunity to exit?

Decommissioning

Decommissioning has long presented specialist late-life operations and decommissioning companies and the overall Norwegian oilfield services industry with an excellent opportunity to grow a significant line of business and develop an international centre of excellence. Yet progress has been slow.

What more can be done to deliver an optimum decommissioning solution for the North Sea and unlock the potential to develop world leading expertise?

Summary

- ▶ **O&G is a resilient long term industry**
 - Offshore production is a resilient and required long term source of energy
 - Dependency on technology will continue to increase, at the expense of labour
- ▶ **Norwegian OFS technology development**
 - Problem solving is in the culture and the DNA
 - Radical and medium/long term technology bets must be part of the R&D slate
 - Access to capital and the correct industry/soft funding mix is critical
 - Access to test facilities and field trials trends must be reversed
- ▶ **Risk/Reward and valuation**
 - Great technologies and great companies create great value
 - Angle and VC investment implies high risk and high return



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