



Dutch Oil Field Services

State of the industry and sentiment going forward

19 March 2019



The sentiment among leading companies in the Dutch OFS sector is mildly positive towards 2019 – 2020

Overview of key insights¹



Market expected to **remain flat to slightly positive** in 2020, despite strong increase renewables

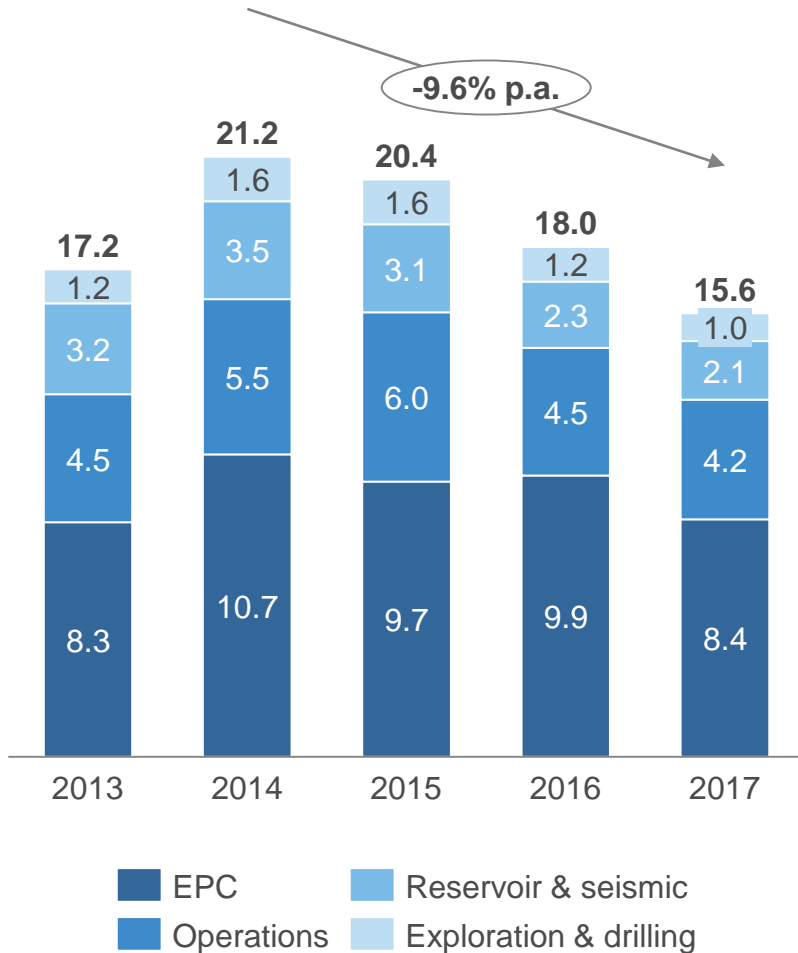
1. Based on 15 interviews with management of leading firms in the OFS industry across various segments of the value chain
Source: EY-Parthenon interviews

Market expected to remain flat to slightly positive in 2020, despite strong increase in renewable activity



Oil Field Services revenue development and supporting verbatim by segment, Netherlands, 2013-2017

€b, CAGR %



“2020 will be better than 2019, which will be better than last year, driven by increasing investments in smaller gas fields. Investments in large fields will decline”

“2019 will be characterized by a **stable market** with increasing renewable influences and declining O&G investments in the North sea”

“Current market levels are extremely low, a **slight increase** in activity is expected in 2019”

“2019 will not be better than last year. **Market recovery** is not to be expected before **2020 – 2021**”



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Margins not expected to improve even if market picks up, due to extensive overcapacity

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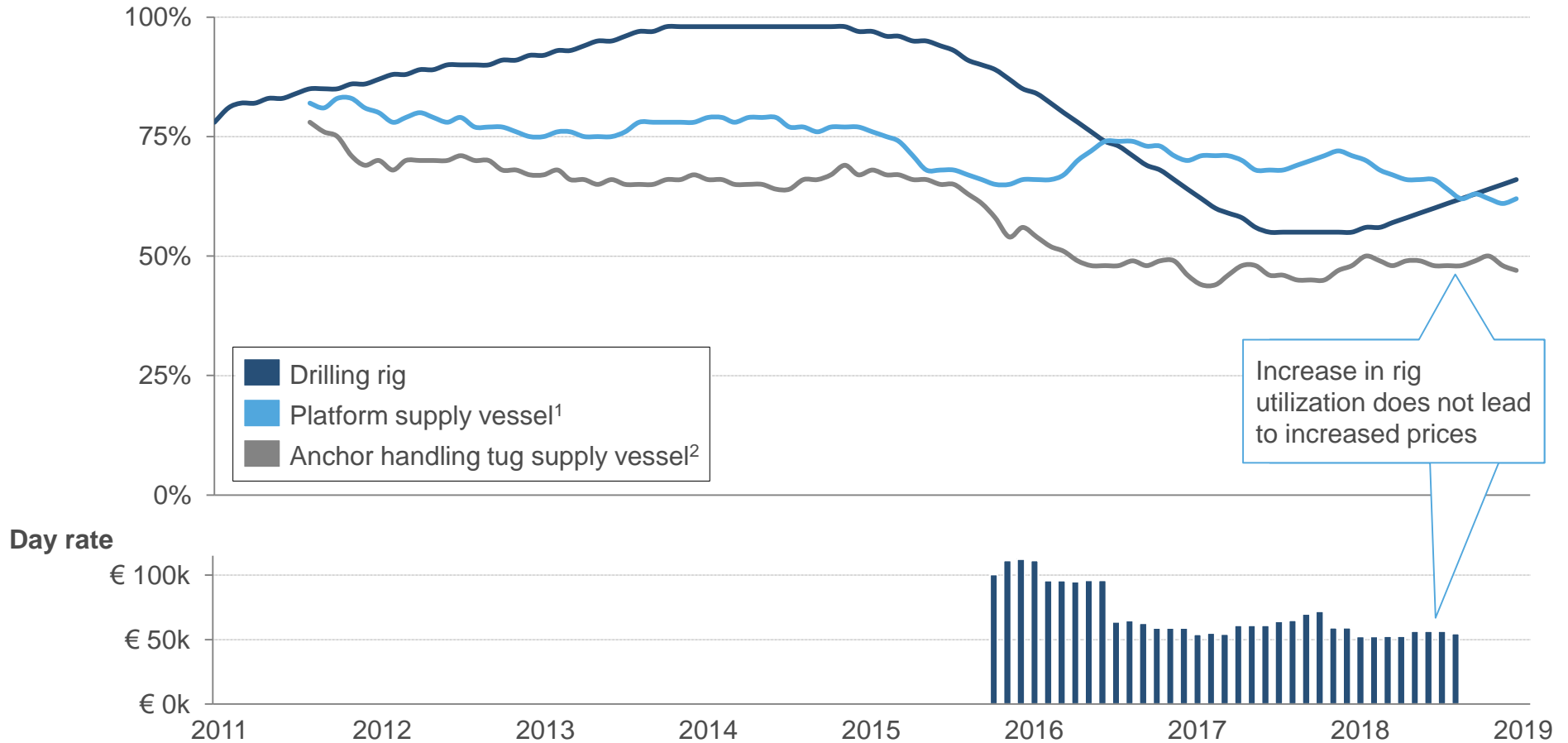
Margins are not expected to improve even if market picks up due to extensive overcapacity in the market



Utilization and day rate by vessel type, North Sea, 2011 – 2019

Utilization

Moving annual average



1. 2013 – 2018: PSVs < 900m², 2010-2011: PSVs < 800m²
 2. 2017 – 2018: AHTS < 22,000 BHP, 2010 – 2016: AHTS < 18,000 BHP
 Source: Seabrokers; IHS; EY-Parthenon interviews and analysis

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Many companies **moved into renewables**, given lack of projects in O&G, development is anticipated to be **permanent**

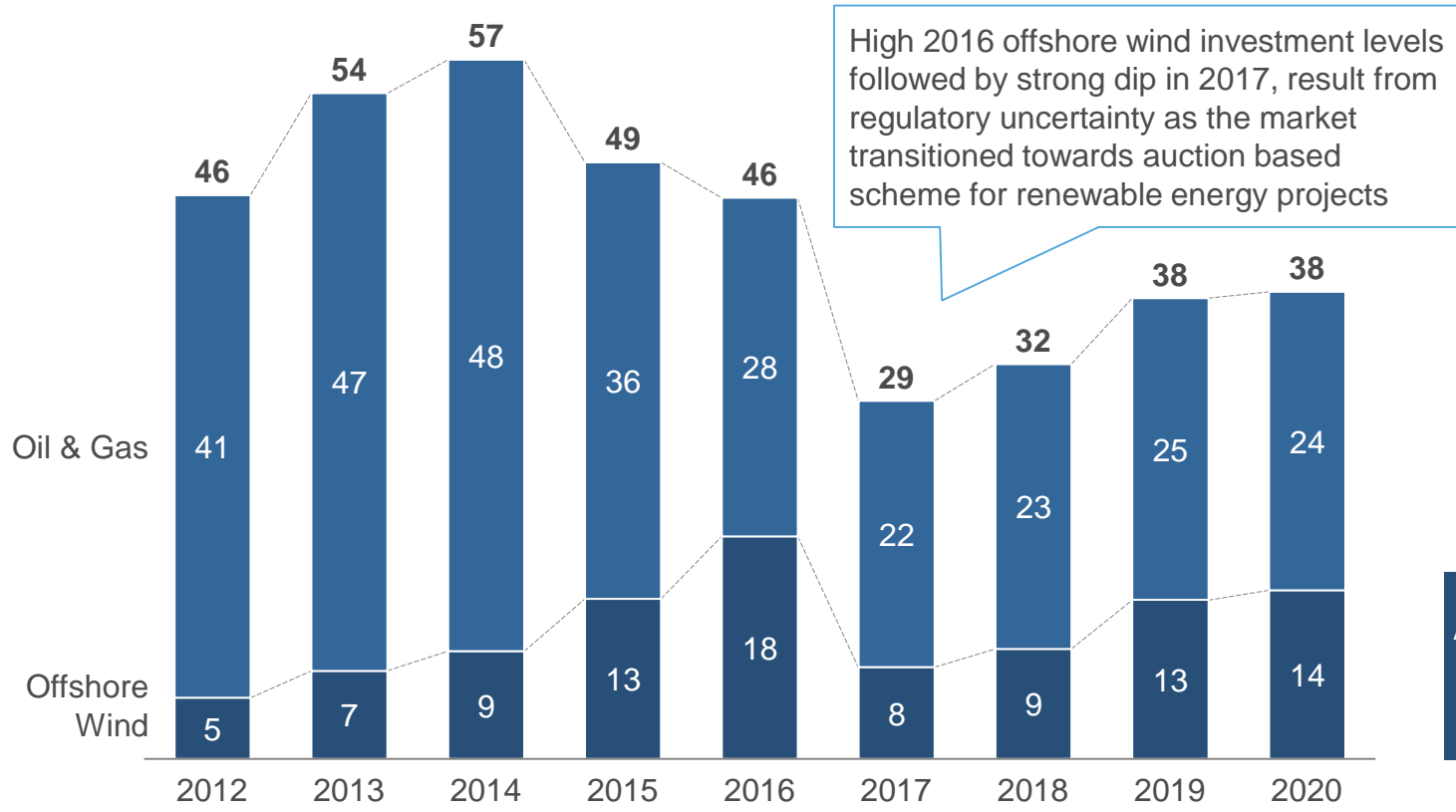
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Many companies have recently moved into renewables, given the lack of projects in O&G sector, this development is anticipated to be permanent



Annual investments in offshore oil & gas and offshore wind, North Sea, 2012 – 2020F

€b



High 2016 offshore wind investment levels followed by strong dip in 2017, result from regulatory uncertainty as the market transitioned towards auction based scheme for renewable energy projects

Annual offshore wind investments are expected to grow to **c. €17b** from 2030 onwards

OWP % of total	2012	2013	2014	2015	2016	2017	2018	2019	2020
	11%	13%	15%	27%	40%	26%	28%	34%	36%

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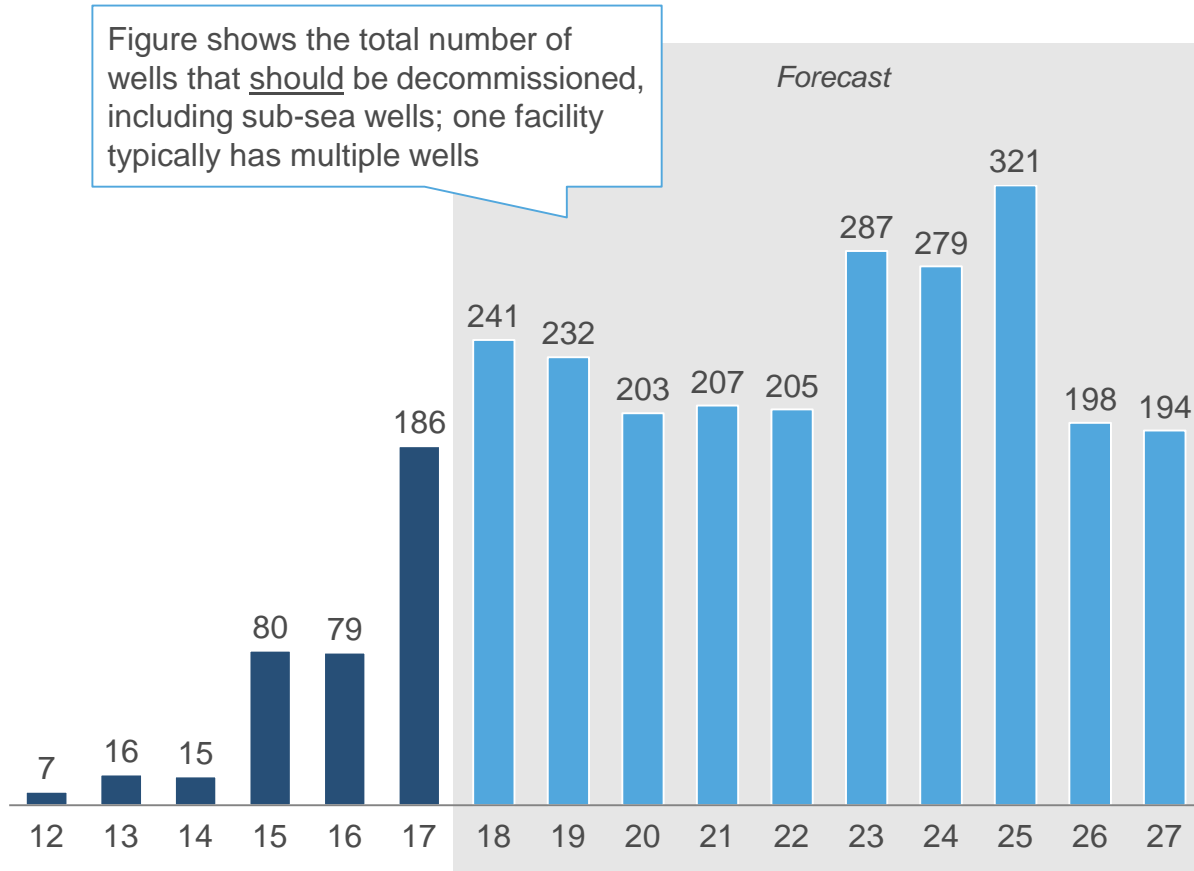
Despite being a promise for many years, **decommissioning not expected to provide large project volumes** any time soon

1. Based on 15 interviews with management of leading firms in the OFS industry across various segments of the value chain
Source: EY-Parthenon interviews

Despite being a promise for many years, decommissioning is not expected to provide large project volumes in the coming years

Annual decommissioning needs¹, North Sea, 2012 - 2027F

wells



“People talk about decommissioning, but it will **not lead to real projects in the next decade.**”

“The large **potential of decommissioning is real**, the **timing** of these projects however **remains uncertain.**”

“I expect the number of **decommissioning projects to take a flight in 2025**, but not before that.”

“**Decommissioning of large platforms is and will remain one big dream.**”

1. 2012-2017 data only includes decommissioning on the Dutch and UK continental shelf
Source: Arup; Nextstep; EY-Parthenon interviews and analysis

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Shortage of technical personnel has been and is expected to remain a **challenge for the industry**

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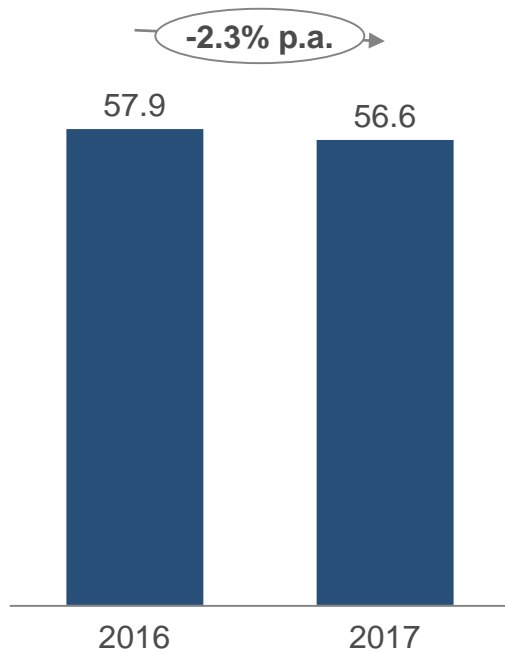
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Employee development active in OFS sector, Netherlands

Total number of OFS employees has declined in recent years ...

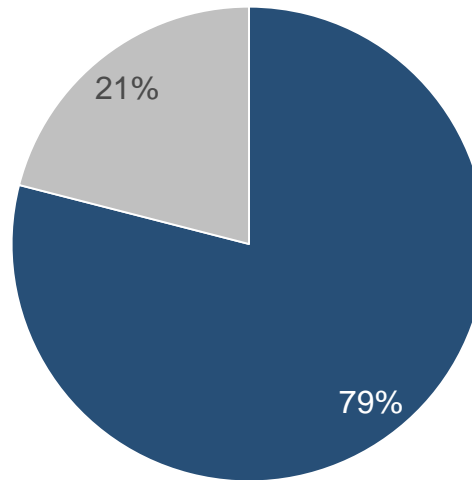
Total active personnel, 2016 – 2017
#k



... fast majority of companies expect shortage of technical personnel...

Companies¹ which expect technical staff shortage, 2018 – 2023F
% of respondents (N=969)

■ Expect shortage
■ Do not expect shortage



... and indicate shortage of qualified experienced personnel hampers growth

“In current market conditions, staffing is not a urgent issue. However if **market picks up** in 2020 finding the **right personnel will become a serious problem.**”

“Attracting technical talent is difficult in the current market. The **shortage in operational staff limits our growth.**”

“Finding **suitable experienced personnel is a problem**, that’s why we choose to **educate our staff ourselves.**”

“**Shortage in technical personnel** has already **delayed projects.**”

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Innovation primarily focuses on **efficiency improvements** and core process optimization, not on product development

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Source: EY-Parthenon interviews

Innovation is primarily focused on efficiency improvements and optimization of core processes, not so much on new product development



Main application of innovation (including digitization) in OFS sector

Supporting verbatim

Degree of application

1

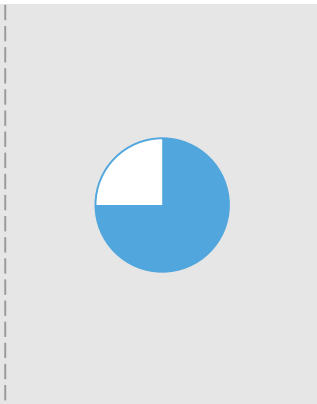


Efficiency improvement & process optimization

“Innovation is used to **optimize** current **process in terms of cost, safety and environment.**”

“**Digital innovation** helps to **increase margins** through more efficient business processes and less errors.”

“**Clients do not demand innovation**, they demand a **fitting solution** at the lowest possible price. **Innovation** helps to achieve **better, more efficient and cleaner solutions.**”



2

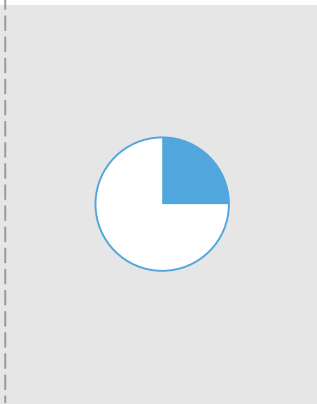


New product development

“Continuous (digital) **product innovation** is **key to remain ahead** of the (foreign) competition.”

“We have **changed the industry standard** by bringing **new products to market**. Clients expect constant innovation.”

“**Innovation** is used to create a more **efficient process** as well as **develop new products and services**. Companies have to keep on developing if they want to remain relevant.”



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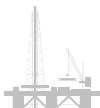
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No extensive consolidation witnessed in Dutch market, despite large mergers in other parts of the world

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Source: EY-Parthenon interviews

Extensive consolidation is not witnessed in the Dutch market in recent years, despite large mergers in the OFS sector other parts of the world

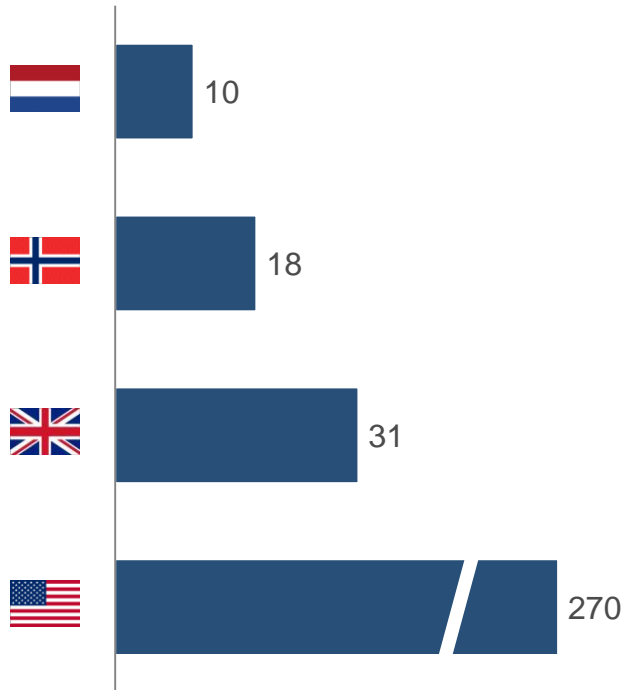


Consolidation

Overview of M&A activity in OFS

Examples | Not exhaustive

OFS¹ mergers per country, 2019LTM
#



Recent large OFS mergers



1. Mergers related to exploration and drilling services and equipment; Oil and gas exploration and production
Source: Mergermarket; EY-Parthenon interviews and analysis

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Capital structure not altered after recent crisis, mainly due to high share of **family owned** companies with low leverage financing and healthy balance sheets

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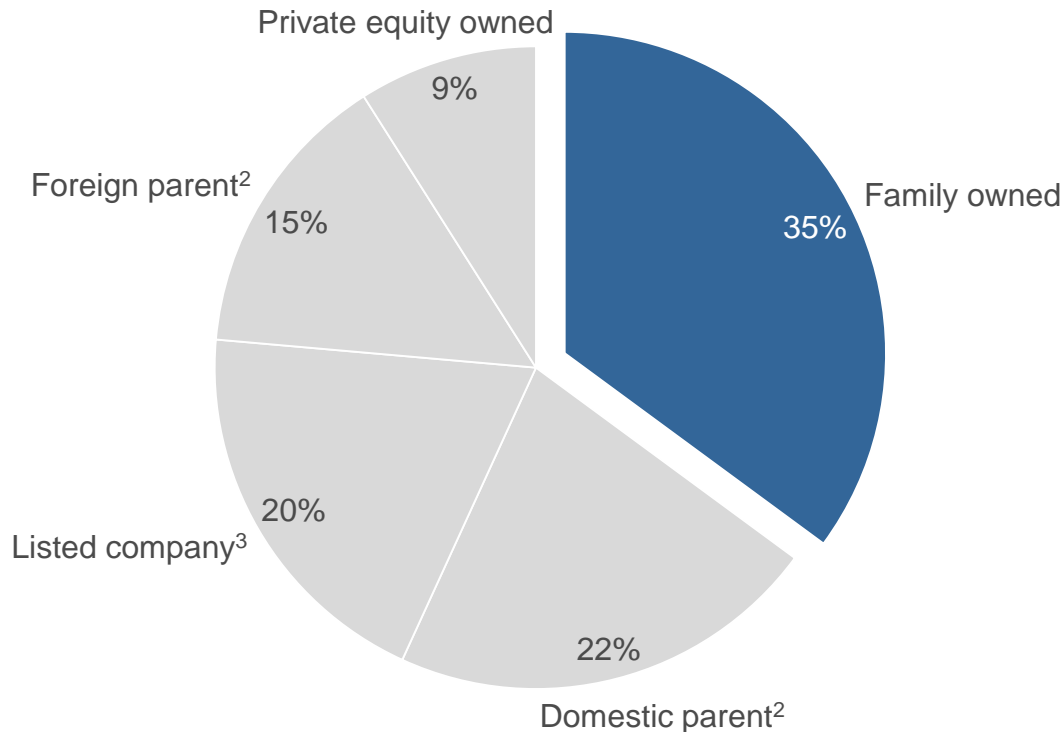
Capital structure has not been altered resulting from recent crisis, since a relatively large share of Dutch OFS companies are family owned



OFS revenue split by ownership model, Netherlands, 2019

% of companies (N=322)¹

Non exhaustive



“Dutch OFS sector is characterized by a **large portion of family owned businesses** who pursue independence, long term vision, low leverage financing and healthy balance sheets. This contributed to a limited number of Dutch bankruptcies ...”

“... on the other hand, **project financing** is influenced by more **stringent financing requirements**. Although this impact is mainly limited to Dutch financing, internationally possibilities are still abundant.”

1. Selection of companies used in historic analysis, Dutch OFS company if:

- >50% of activities is related to O&G sector
- Company is registered in NL

2. Includes subsidiaries of domestic & foreign parents

3. Includes companies listed at Euronext, foreign stock exchanges and subsidiaries of foreign listed companies

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EY(-Parthenon) has ample experience in the OFS sector with more than 100 specialists in the Netherlands and over 10k worldwide

Overview of relevant OFS professionals, Netherlands

Non exhaustive



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