

# Future of the North Sea: M&A outlook

Neivan Boroujerdi – North Sea Upstream

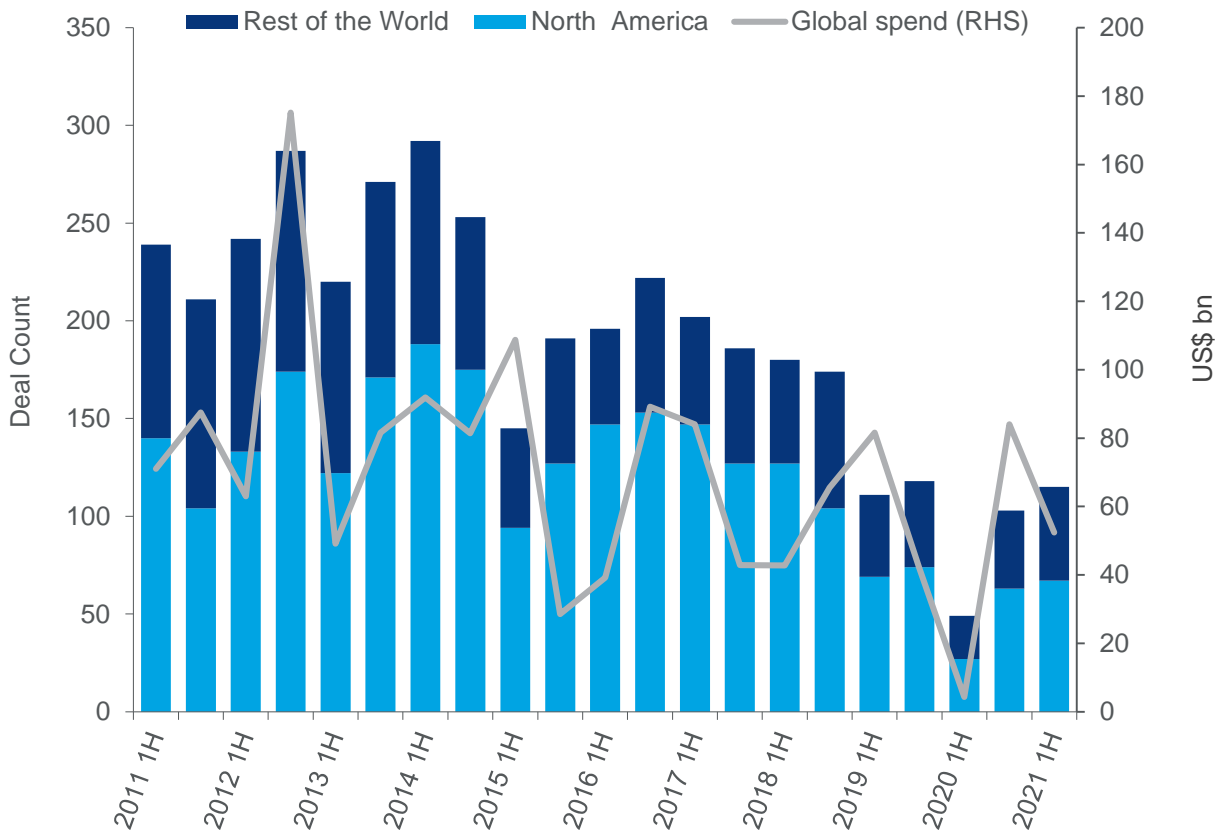




# Global deal flow cratered in 2020; but recovered to 2019 levels in 2021

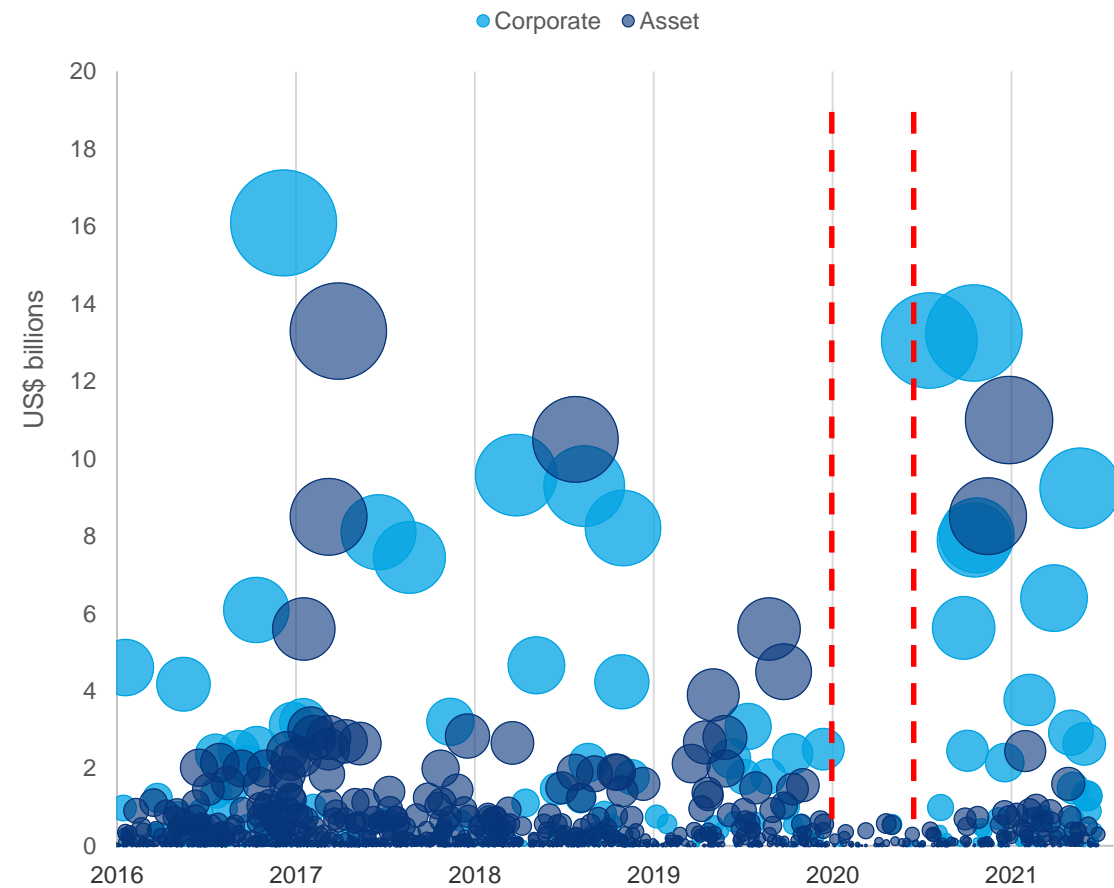
Corporate consolidation has been the dominant theme

Half-yearly deal activity, by super region



Source: Wood Mackenzie M&A Service

Deal spend, by individual deal



Source: Wood Mackenzie. Shell-BG and Oxy-Anadarko are excluded by upper bound of Y axis.



Majors have led the way with innovative UK deals, including agreements on decommissioning

## Retention of decommissioning



### Contingent payments on oil price

## Contingent payments on development milestones

**Retention of future cash flow**

### Using historical effective dates

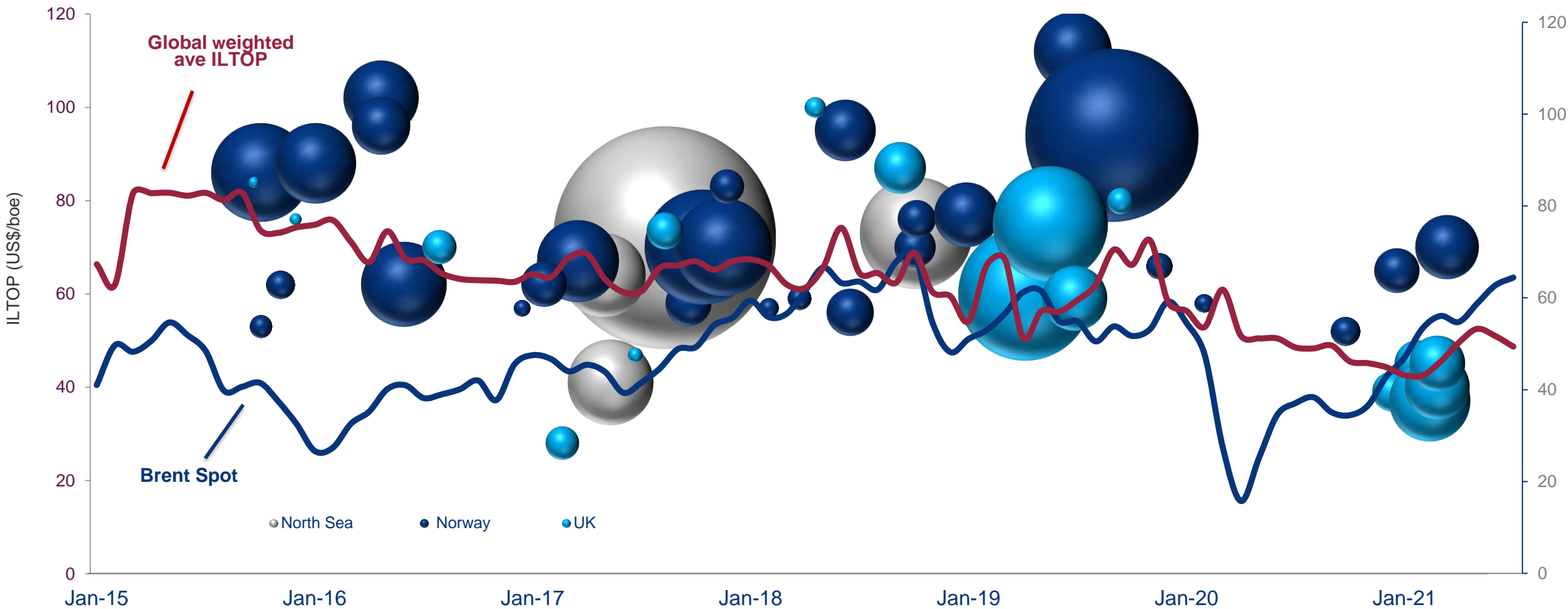
The chart displays the contingency percentage of total price for three categories: Operational (light blue), Price (dark blue), and Other / Unspecified (grey). The Y-axis represents the contingency percentage from 0% to 100%. The X-axis represents the years from 2015 to 2020. The size of the bubbles indicates the volume of data for each category in each year. The Price category shows a significant increase in contingency percentage over time, peaking around 2017. The Operational category also shows an increase, with a notable peak around 2017. The Other / Unspecified category shows a general increase in contingency percentage, with a peak around 2019.



# Deal valuations in 2021 have not picked up in line with spot prices

The two-tier market between Norway and UK is still prevalent

Implied Long-term Oil Price (deal by deal, NPV10) vs. Brent oil price, North Sea deals highlighted

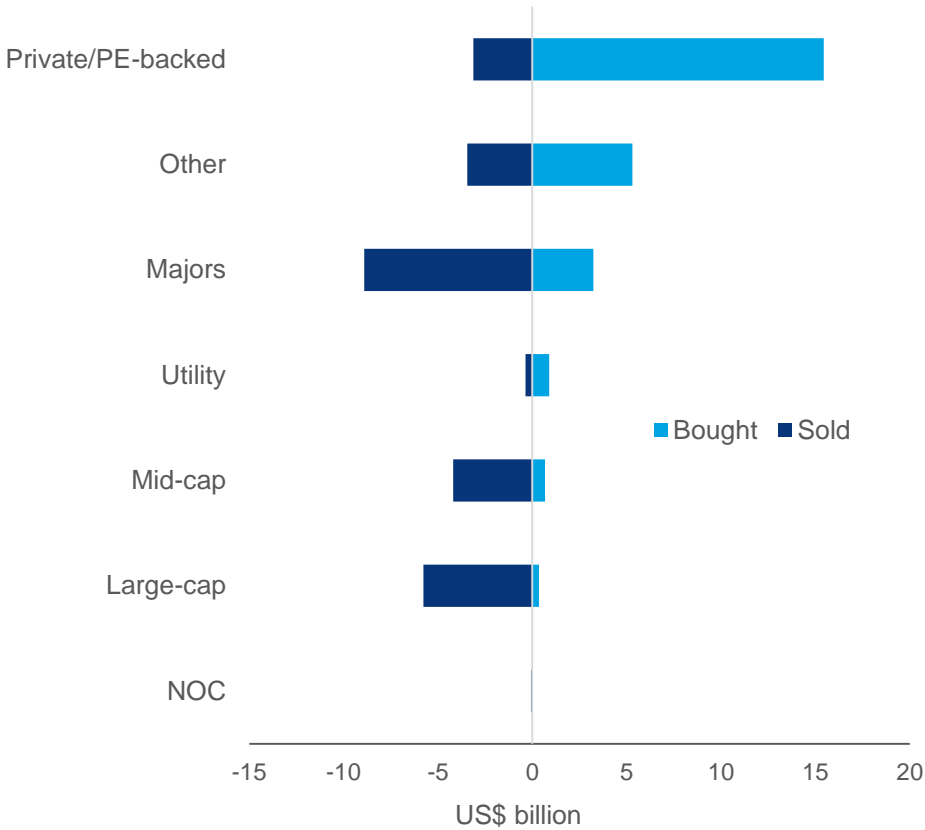




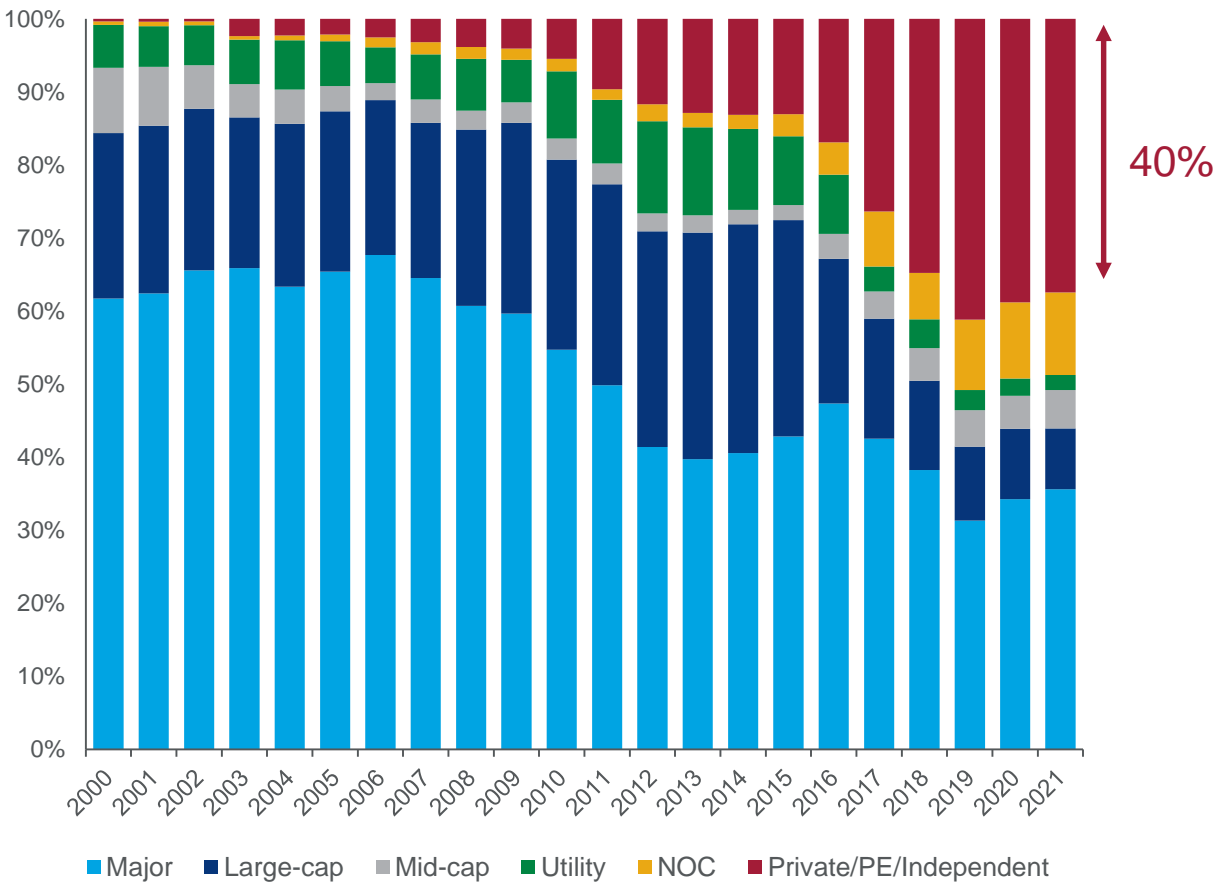
# The UK corporate landscape has shifted...

Private equity has shaken up the landscape, acquiring nearly US\$15 billion of assets since 2015

UK M&A activity by peer group (2015 – 2021)



Share of UK production by peer group



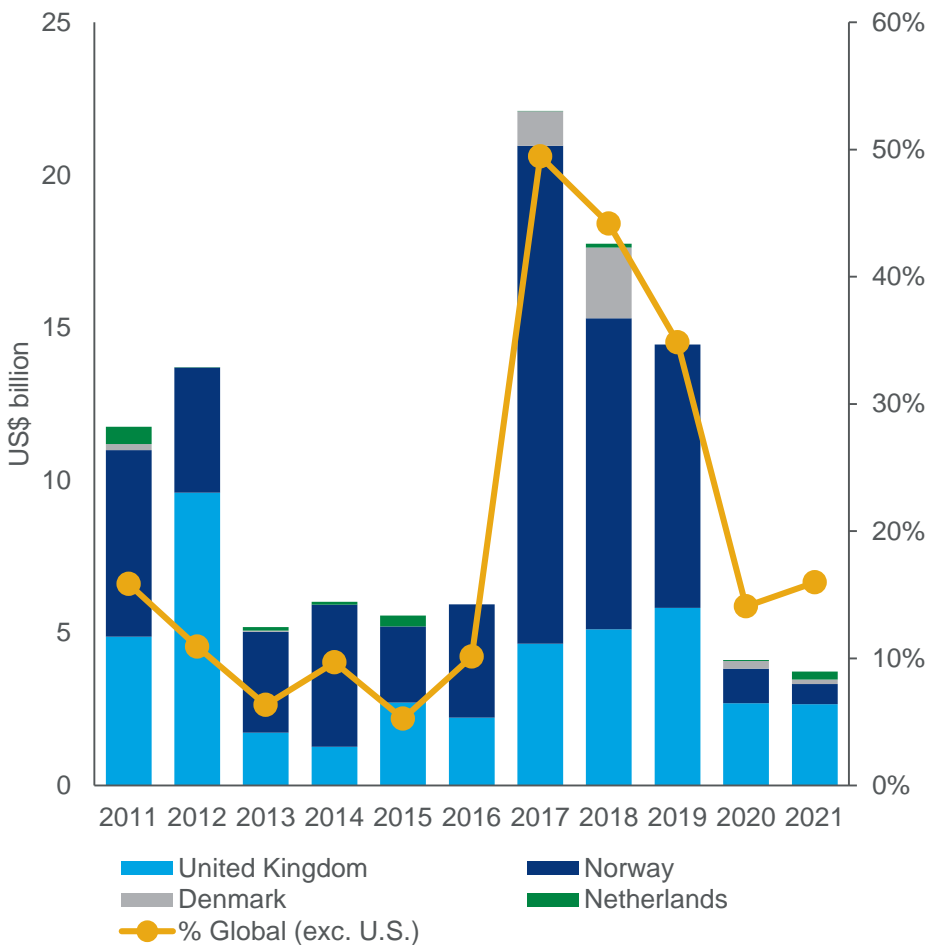
Source: Wood Mackenzie, M&A Service and Lens Upstream



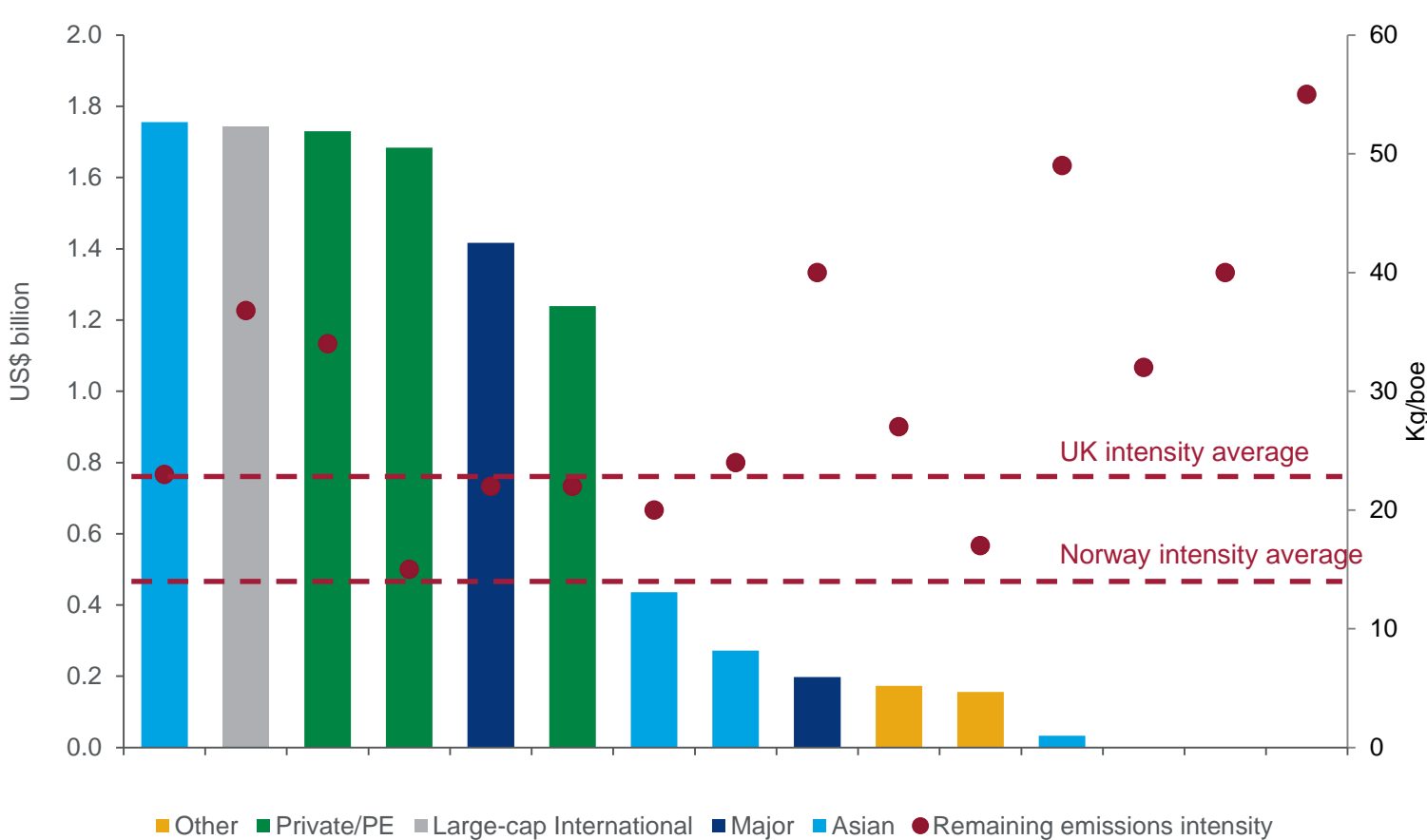
# After starting 2021 with a bang, North Sea M&A has stagnated

But there are still over US\$10 billion of opportunities in the pipeline

North Sea deal spend



UK deal pipeline (NPV10\* v Emissions intensity)



Source: Wood Mackenzie M&A Tool, Lens Upstream, deal spend as of April 2021 (global excludes U.S.)

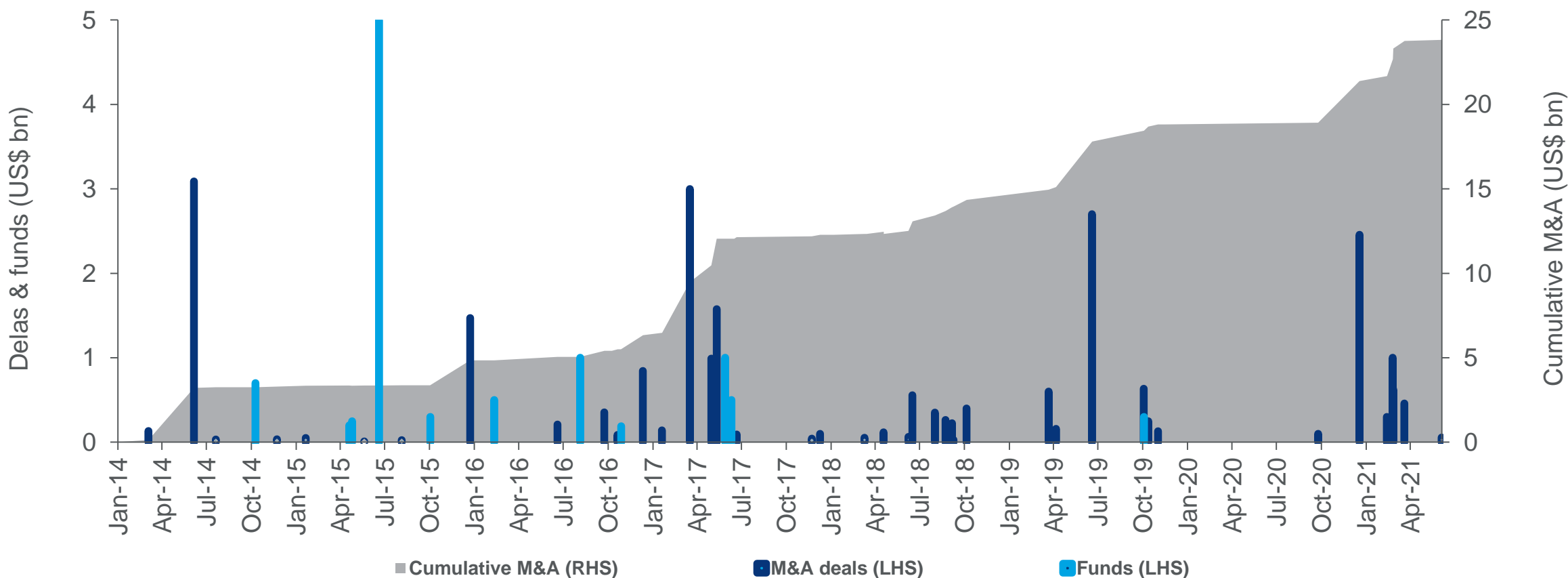
\*Includes both businesses and packages



# PE-backed acquisitions have been steady after catching fire in 2016

But there has been a notable lack of new North Sea-funds

## History of private equity in UK and Norway



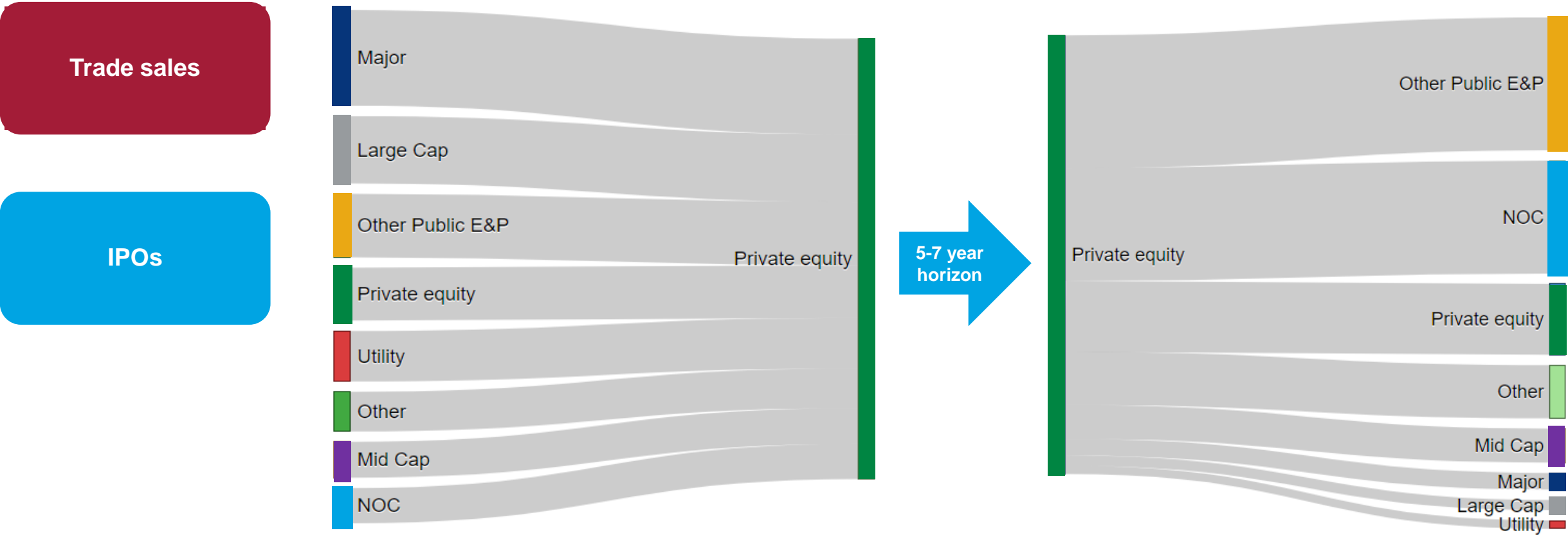
Source: Wood Mackenzie M&A Service



# The outlook for trade sales and IPOs

Traditional exit routes are not obvious

Global private equity acquisitions and disposals by peer group (2005 – 2021)





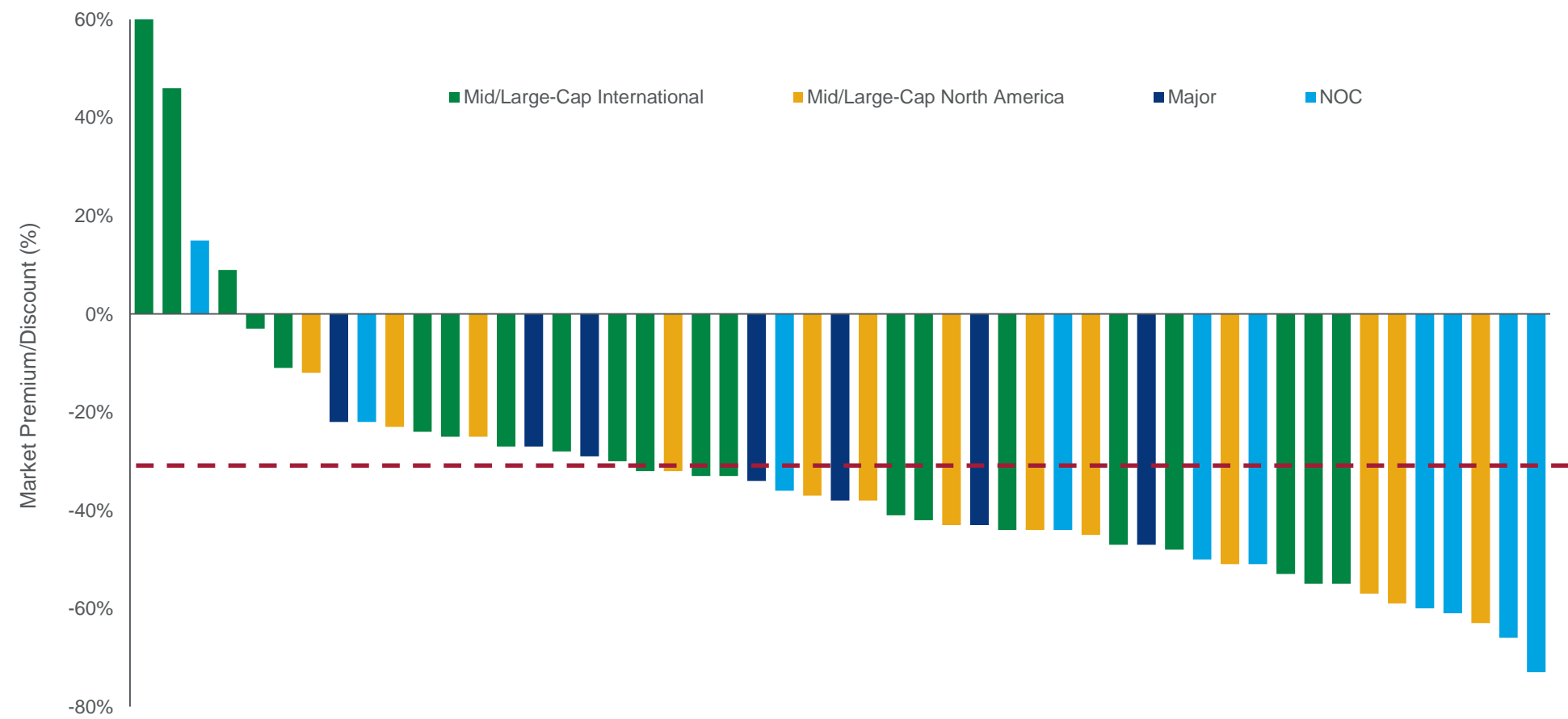
# The outlook for trade sales and IPOs

Traditional exit routes are not obvious

Market premium / discount to WM NPV10 at US\$70/bbl (%)

Trade sales

IPOs





# The outlook for trade sales, IPOs and reverse mergers

Traditional exit routes are not obvious

## Reverse merger examples

Trade sales



*"This is a transformational combination, in which shareholders will greatly benefit from our increased scale and liquidity"*

IPOs



*"Harbour offers a unique opportunity for investors, bringing together two complementary portfolios with a material North Sea foundation, an attractive global footprint and a strong balance sheet."*

Reverse merger

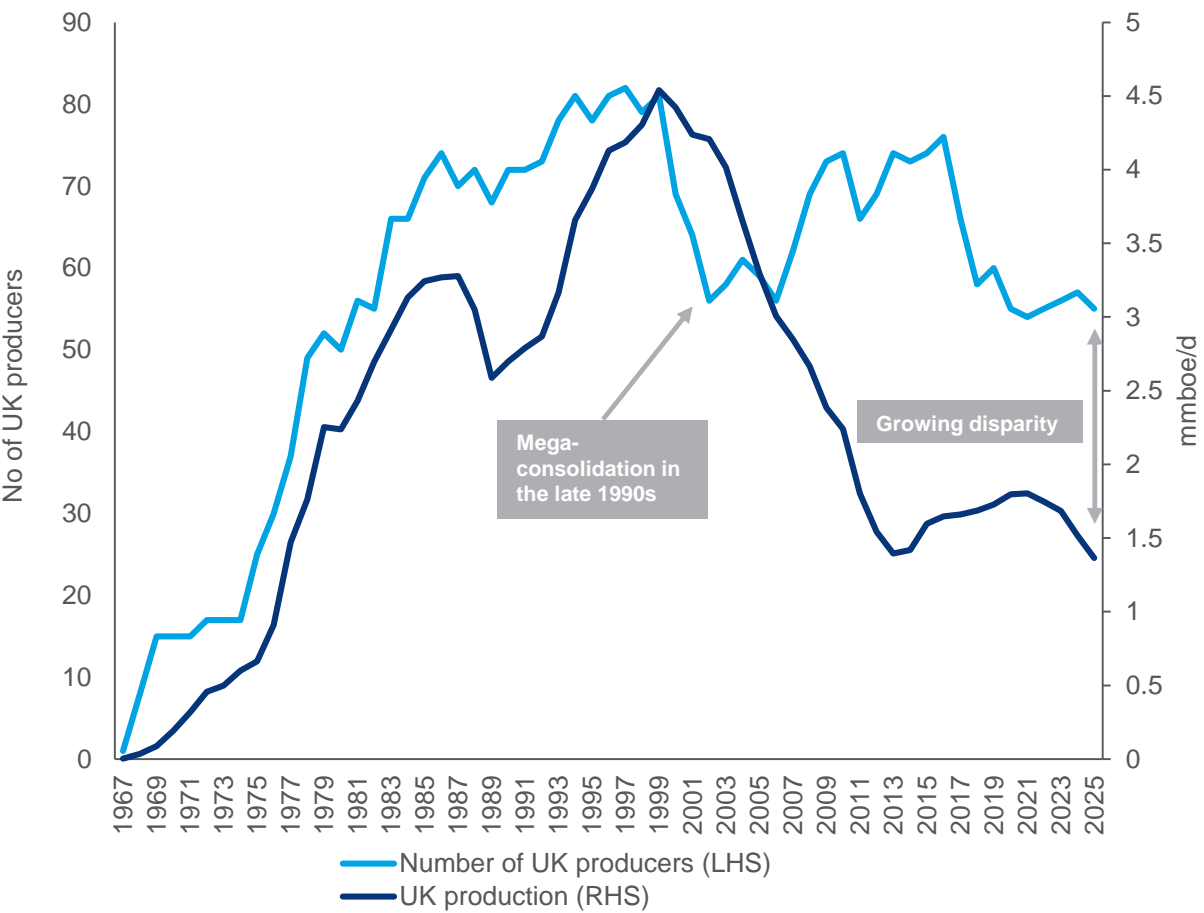


*"This is a very compelling merger providing substantial value accretion, significant scale and lower cost of capital. It provides a long-term primary platform to focus on continued consolidation in the industry"*

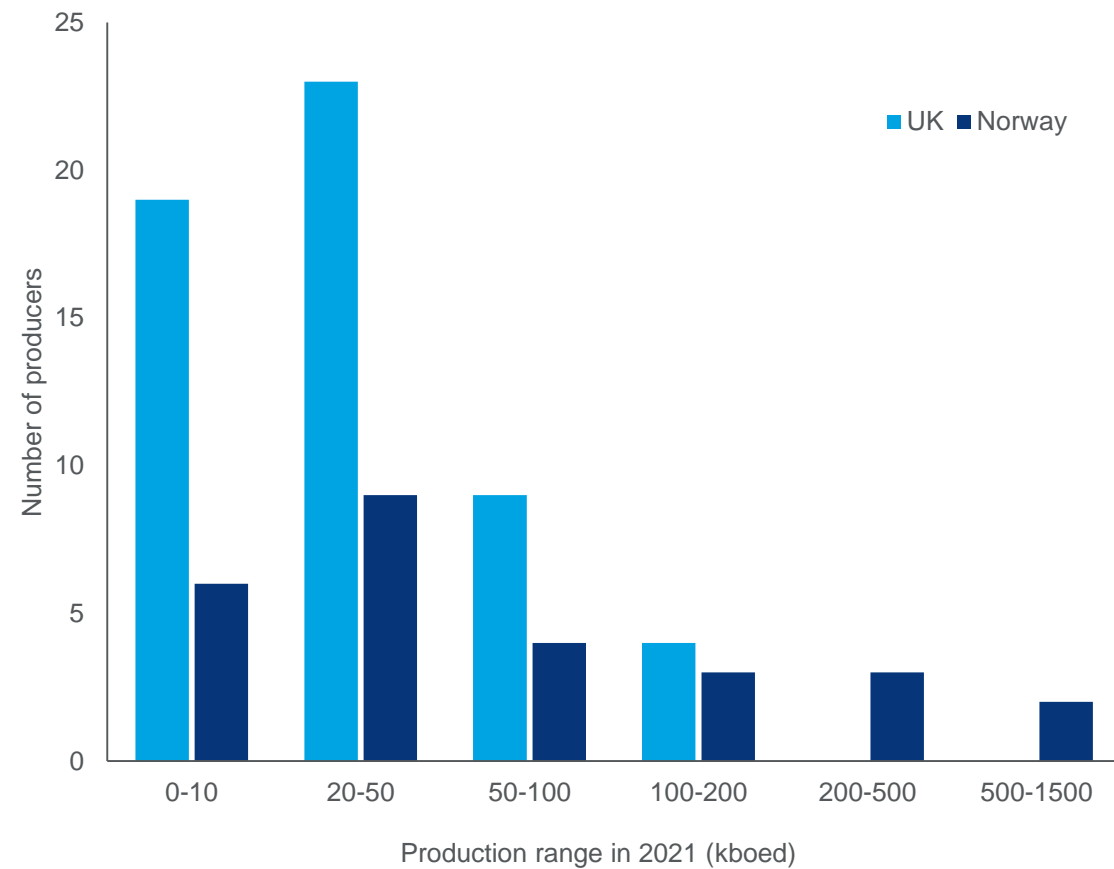


# Is there a case for UK consolidation?

## Number of UK producers v production



## Number of producers by production range



Source: Wood Mackenzie Lens Upstream





# Neivan Boroujerdi

## Principal Analyst, North Sea Upstream

### Biography

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**Neivan joined Wood Mackenzie in 2014 and has provided coverage across the European upstream industry.**

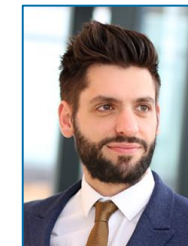
Neivan now leads Wood Mackenzie's North Sea coverage, working with senior stakeholders in industry to identify key trends and insights. He has written many high-impact reports looking at a number of key issues in the sector, from the role of private equity in the region to creating value through exploration and M&A.

Neivan also carries out consulting projects and presents at conferences. Recent consulting work includes helping companies with long-term strategies, infrastructure analysis, due diligence and project benchmarking.

Prior to joining Wood Mackenzie, Neivan worked as an analyst at Interconnector UK carrying out a variety of commercial and regulatory work.

Neivan graduated with a Masters degree in Chemical and Process Engineering from Strathclyde University.

### Connect with Neivan



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Know the market.  
Understand transactions.  
Look to the future.

## Wood Mackenzie's M&A Service

### Key features at a glance







# Lens Overview

One data powerhouse augmented by one world-class platform

Lens fully reflects all the carbon price changes highlighted in this Insight

NOW

COMING SOON

## Upstream



Discover  
model and  
value upstream  
with  
worldwide

## Lower



Operational  
analysis for  
improved  
business  
performance

## Surface



Analytics  
reducing  
global surface  
with  
to  
optimise your  
resource

## Power



Navigate the  
energy  
transition by  
connecting  
the dots  
across the  
electricity  
value chain



# Lens Direct

Wood Macenzie data  
integrated with your systems

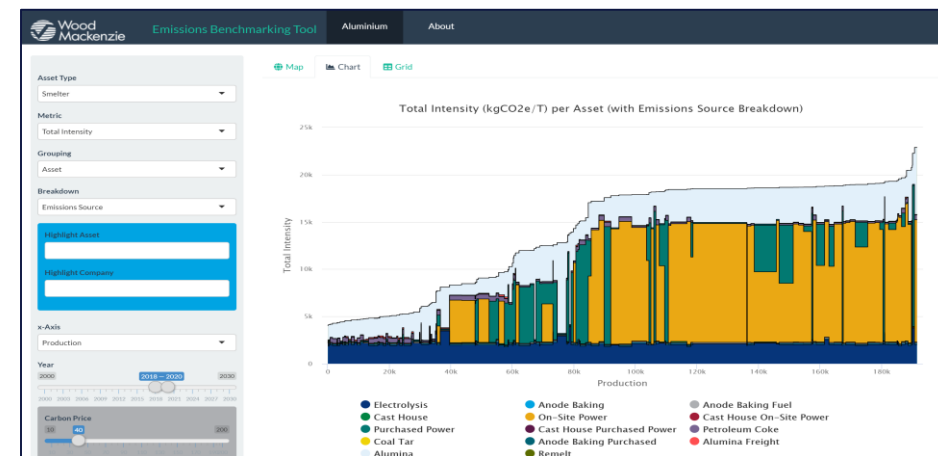
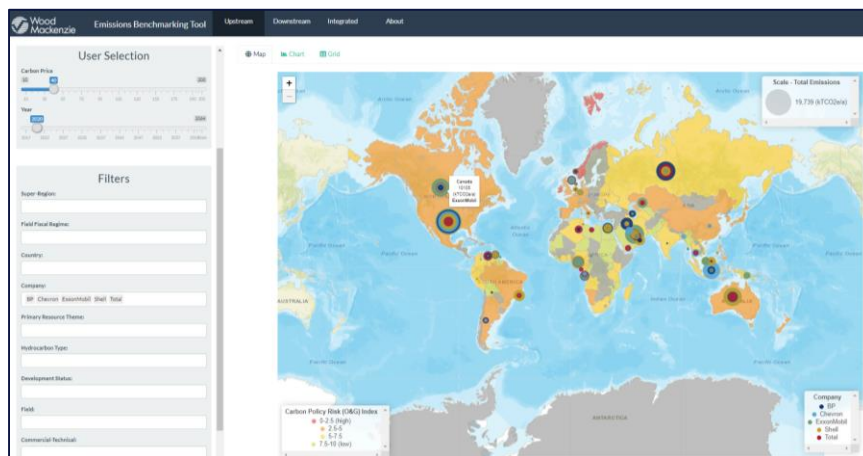


# Emissions Benchmarking Tool

Understand differences in emissions profiles and key drivers, where there are opportunities for mitigation and how acquisition or divestment of assets would change corporate emissions profiles.

## Asset by asset emissions forecasts for:

- Upstream to 2024
- Downstream to 2040
- Five key metals mining value chains:
  - Aluminium: Alumina to 2040
  - Metallurgical Coal: Iron Ore to 2040
  - Steel to 2040
  - Copper: Mines to 2040
  - Smelters to 2040
  - Refineries to 2040





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