
COVID-19 and OPEC Price War—Implications for Oil and Gas Markets, Prices and Companies

April 23, 2020
11:00 am EST

Jim Rebello

Managing Director, Head of Energy M&A Advisory

Jed DiPaolo

Senior Energy Advisor

Martin Rubio

Managing Director, Energy M&A Advisory



Agenda



Introductions

Jed DiPaolo

Senior Energy Advisor



Jed DiPaolo has served as a Senior Energy Advisor for Duff & Phelps, LLC since 2011. He brings more than 42 years of experience in the energy industry.

Jed was a Partner at Growth Capital Partners, L.P. for eight years. Prior to that, Jed worked for over 27 years at Halliburton Company where he held several managerial and technical positions. Jed retired as a Group Senior Vice President of Global Business Development with Halliburton Company in 2003. Prior roles at Halliburton included serving as North American Regional Vice President and Far East Regional Vice President. In these roles, he was responsible for overall operations of Halliburton Energy Services' North America and Far East operations.

Jed currently serves as the Lead Director of Evolution Petroleum (AMEX:EPM), and a Member of the Board of privately-held Deep Well Services, portfolio company of White Deer Energy, Air Drilling Solutions, a portfolio company of Black Bay Energy Capital, Altitude Energy Partners, also backed by Black Bay, and Danos Energy Services.

He successfully restructured Seventy Seven Energy through Chapter 11 Bankruptcy and facilitated its sale to Patterson-UTI (NASDAQ:PTEN). Additionally, he served as Interim Chairman of the Board of Directors of Boots and Coots Group. He also served on Superior Well Service Board prior to being sold to Nabors Industries and the Edgen Group Board before being acquired by Sumitomo Corporation. In addition, he served on the Board of Innicor Subsurface Technologies prior to it being sold to BJ Services.

Jed received his undergraduate degree in Agricultural Engineering from West Virginia in 1976 and an Honorary Doctorate of Science in 2013. He also serves on the Advisory Board for the West Virginia University College of Engineering and is a member of the Society of Petroleum Engineers.

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Jim Rebello

Managing Director and Head of Energy M&A Advisory



Jim Rebello is a managing director and head of the Energy M&A Advisory practice, based in the Houston office. He leverages more than 25 years of principal investing and M&A origination, execution and management experience, assisting companies in the Southwest with all aspects of transaction execution.

Prior to joining Duff & Phelps, Jim was a managing director and member of the Executive Management Committee of Growth Capital Partners, L.P. (GCP), a merchant and investment banking firm in Houston. In addition, he was a Principal of both SMI I and SMI II, GCP's mezzanine investments funds. Before that, he held the title of corporate financial analyst with Energy Ventures, Inc., where he was responsible for treasury management functions. He also analyzed the financial performance of Energy Ventures and its corporate subsidiaries as well as potential acquisition candidates. Earlier in his career, Jim was a Credit Analyst for Prudential Capital's Southwestern Energy Group.

Jim has extensive experience managing merger & acquisition, divestiture, recapitalization, restructuring and private placement transactions for a variety of clients across a range of industries, including exploration and production, oilfield services, distribution, industrial services, business services, metals and manufacturing. He currently serves on the board of Unifocus Corporation and a member of the Independent Petroleum Association of America, the Houston Association for Corporate Growth. He previously served on the boards of Paradigm Valve, White Petrov and Growth Capital Partners.

Jim received a B.S. in business administration with concentrations in marketing and management from Northeastern University, graduating summa cum laude. Jim is a FINRA Series 7, 79 and 63 registered representative. He also serves on several local non-profit community-based organizations.

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Houston

Martin Rubio

Managing Director, Energy M&A Advisory



Martin Rubio is a managing director in the Corporate Finance practice, based in the Houston office. Martin leverages more than 20 years of experience in the energy industry advising equipment suppliers, distributors and other providers of technical and specialty services on mergers and acquisitions and recapitalization assignments. He also has experience in both middle-market corporate finance and in operating positions for the energy industry.

Prior to joining Duff & Phelps, Martin served in finance and business development roles at Turbine Air Systems, Ltd., a packager of modular energy systems. Before that he held commercial operations and project management positions at GE Energy and Stewart & Stevenson Services, Inc., a leading designer, manufacturer and distributor of specialized equipment and aftermarket parts and service for the energy industry based in Houston.

Martin received a B.A. in political science from Loyola University New Orleans and an MBA from The University of Texas at Austin with a concentration in finance. He is a FINRA Series 7 and 63 registered representative.

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Houston

Oil is a Geopolitically Driven Commodity



Jed DiPaolo
Senior Energy Advisor

OPEC and OPEC + Members

Haves

Saudi Arabia
UAE
Kuwait
Qatar
Russia

Want to Be

Iran
Iraq
Azerbaijan
Oman
Kazakhstan
Mexico

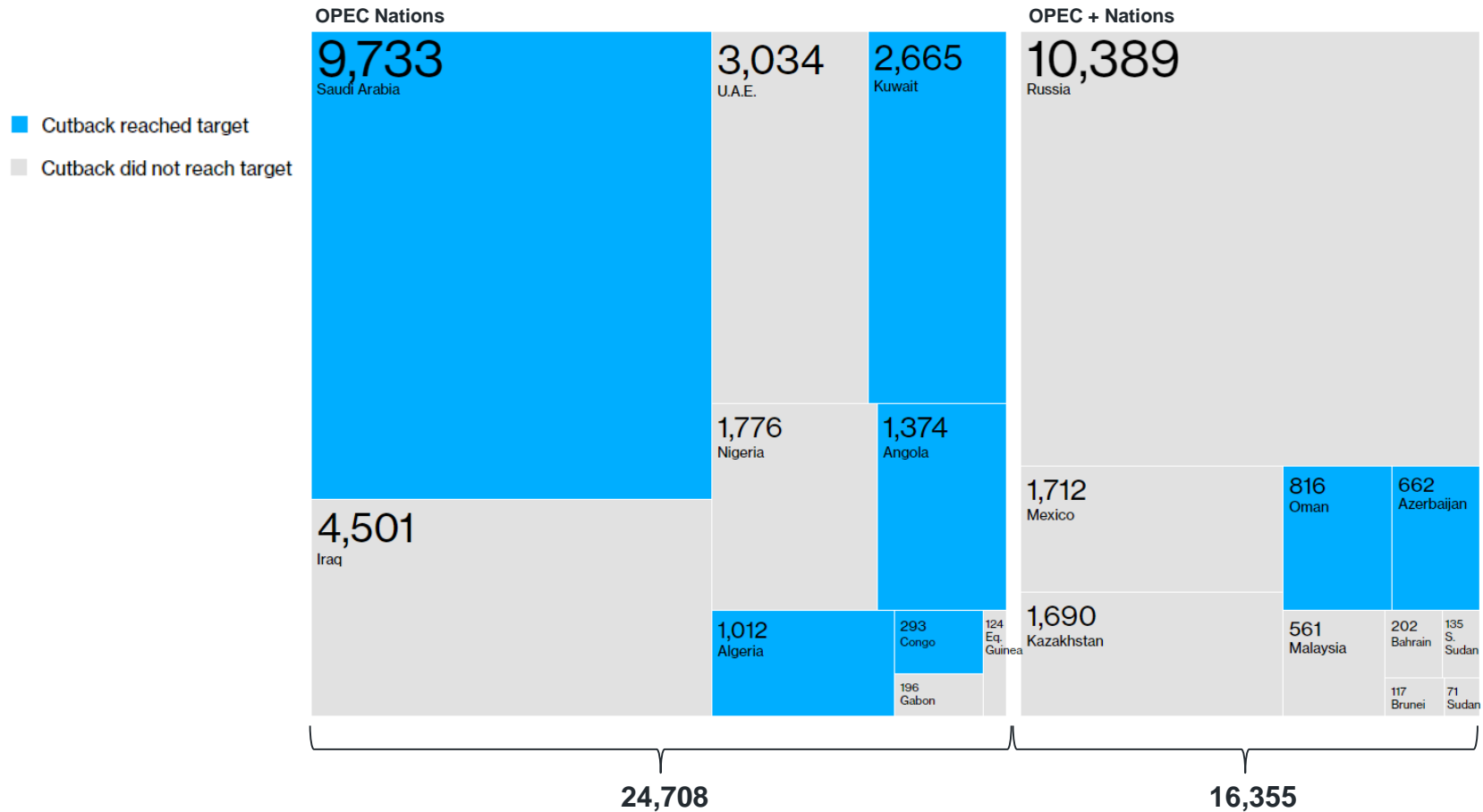
Have Nots

Venezuela
Algeria
Nigeria
Libya
Ecuador
Angola
Congo
Equatorial Guinea
Bahrain
Brunei
Malaysia
Sudan

OPEC

OPEC +

OPEC + January 2020 Production (thousands of barrels a day)

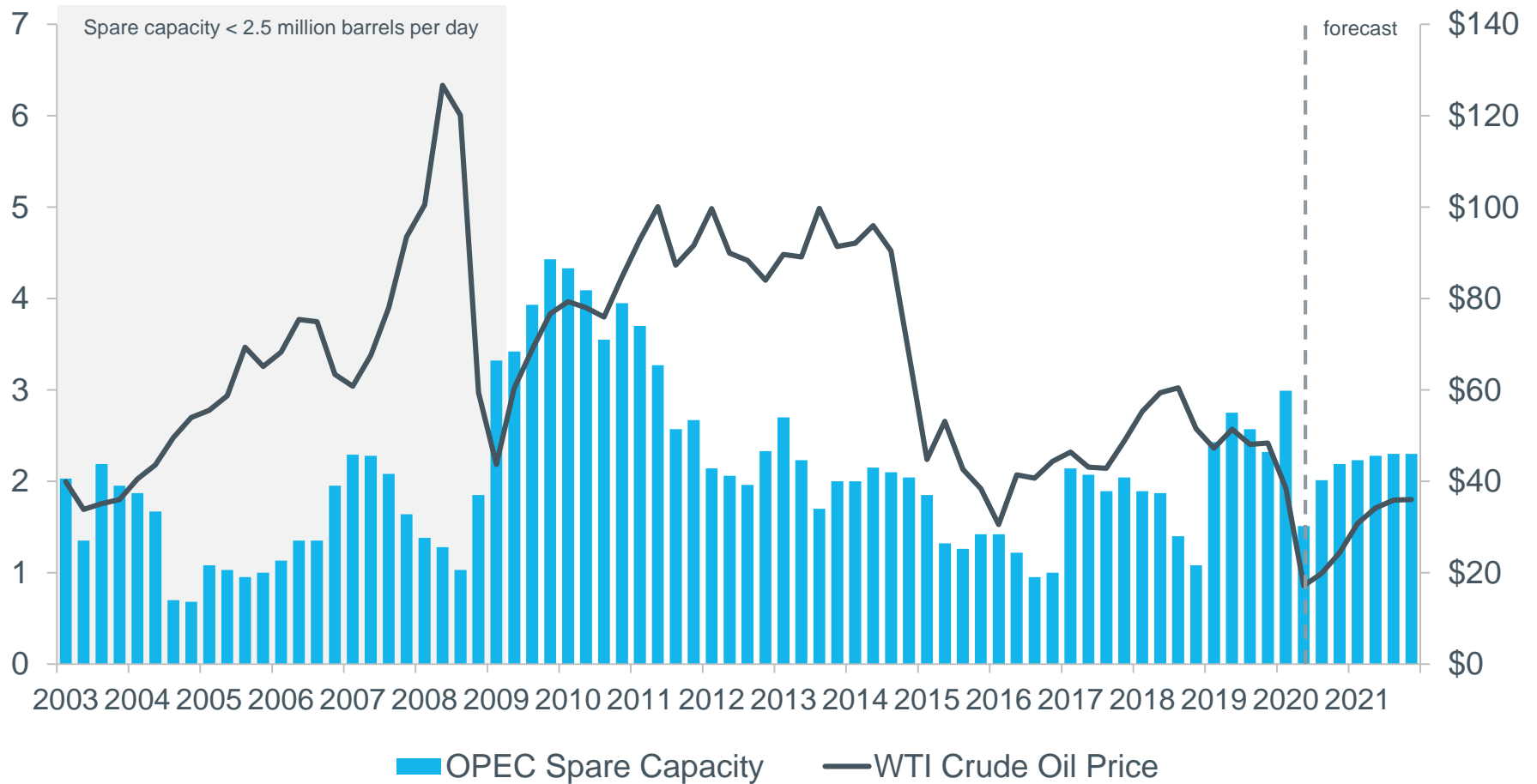


Source: Bloomberg

OPEC Spare Production Capacity & WTI Prices

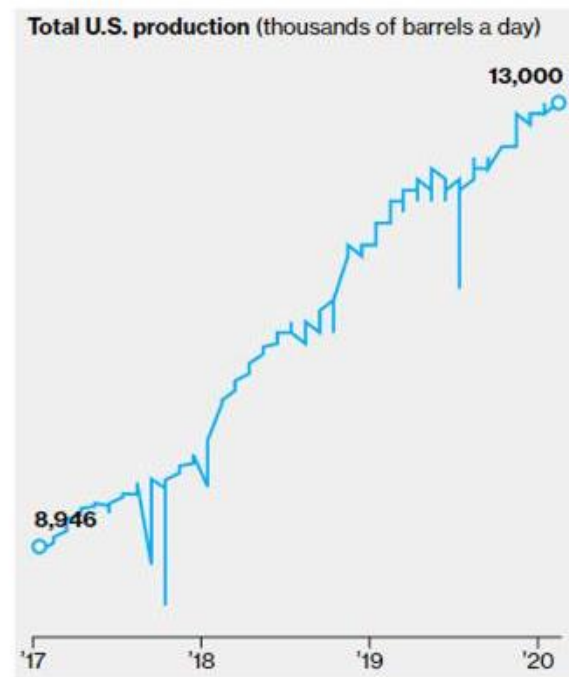
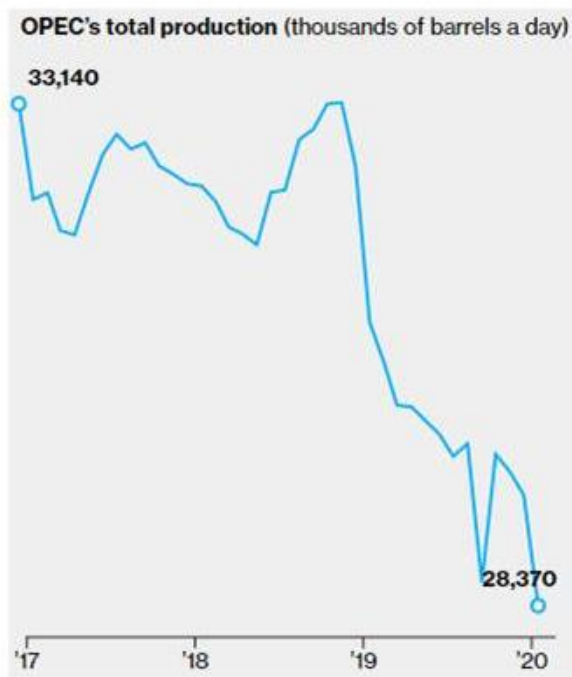
Spare capacity (millions barrels per day)

\$/b (real 2010 dollars)



Source: EIA, Refinitiv

Oil Prices and Production (Pre-Pandemic)



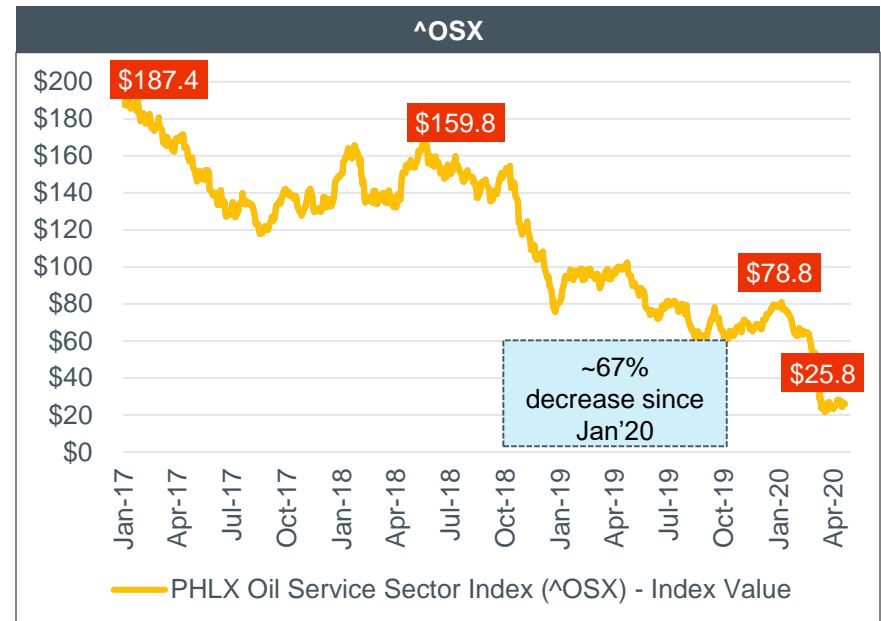
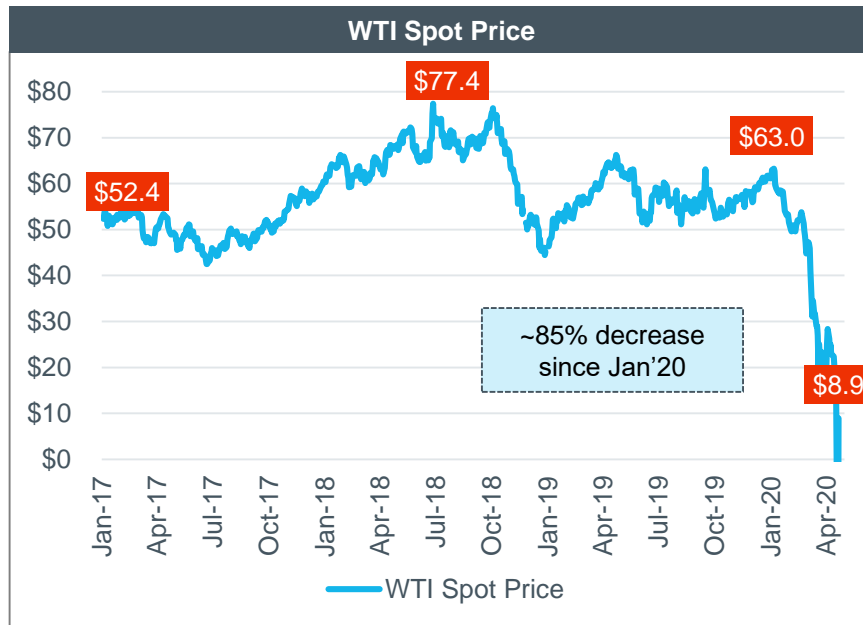
Note: OPEC output includes all members; Brent prices as of Feb. 24 2020
Sources: Bloomberg, ICE Futures Europe, U.S. Energy Information Administration

Capital Markets



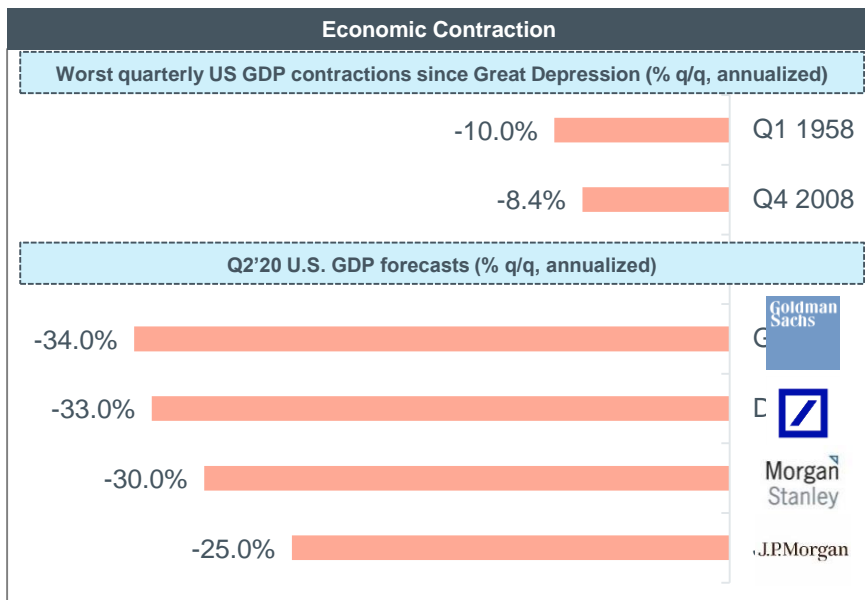
Jim Rebello
Managing Director,
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Advisory

COVID-19 / Capital Markets

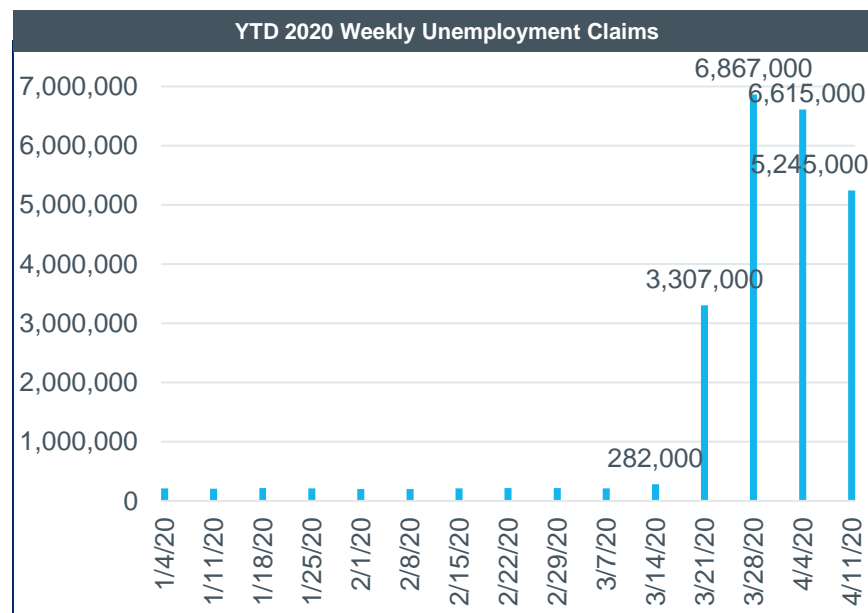


Source: CapitalIQ, EIA

Volatility Expected to Continue

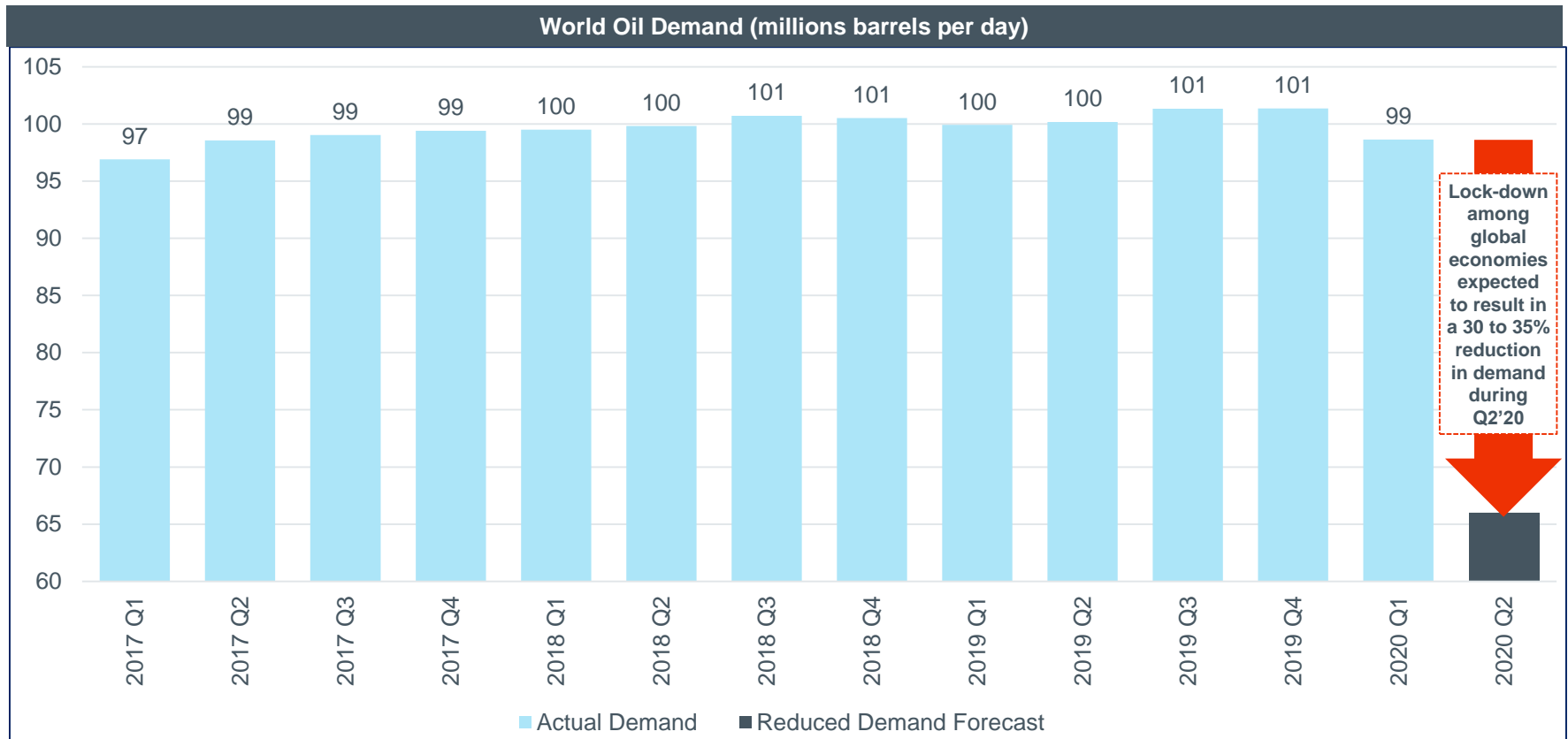


- Q2'20 economic contraction expected to be 3x larger than worst quarter by contraction ever



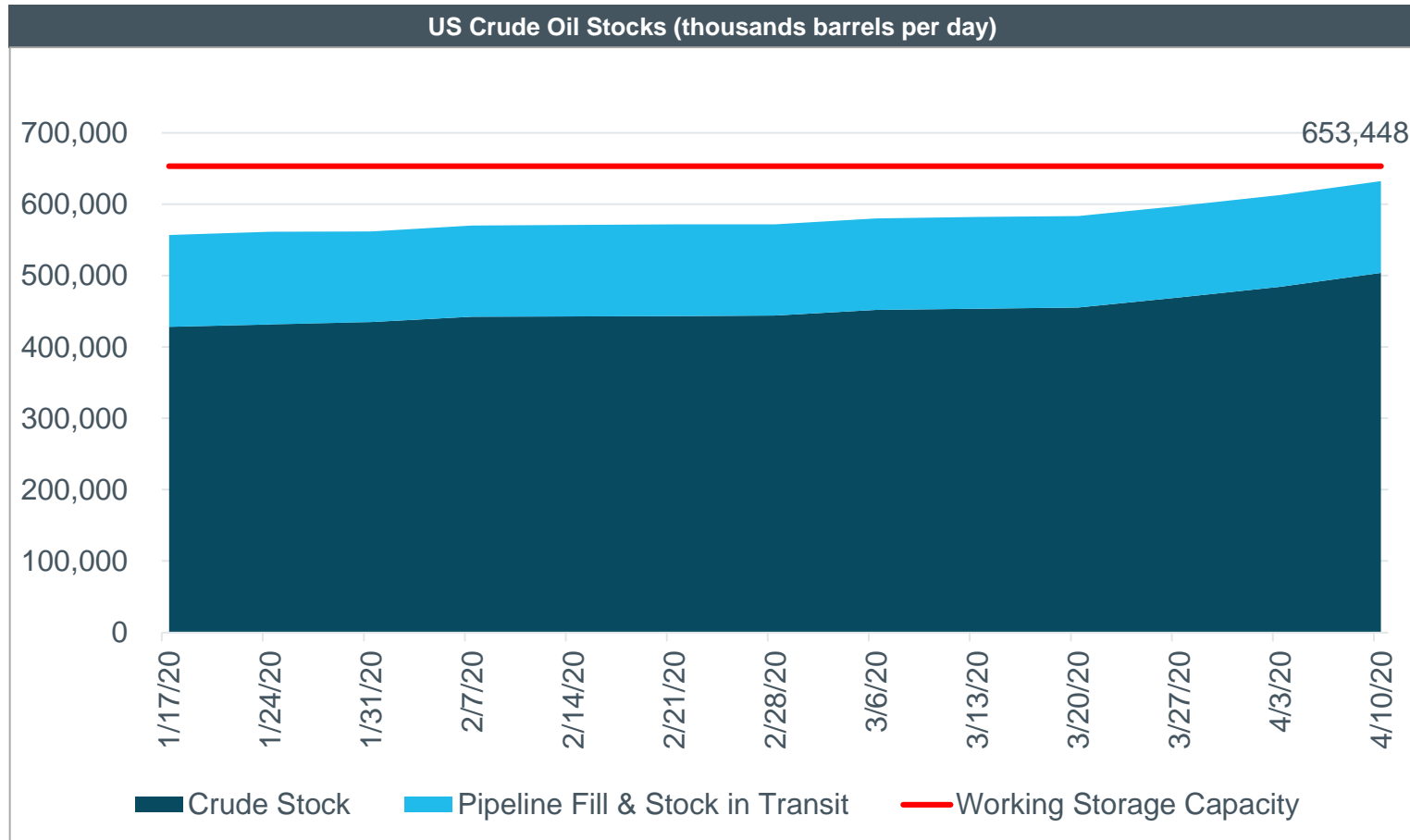
- More than 22 million unemployment claims in the last 4 weeks

World Crude Oil Demand/Effects of Covid-19



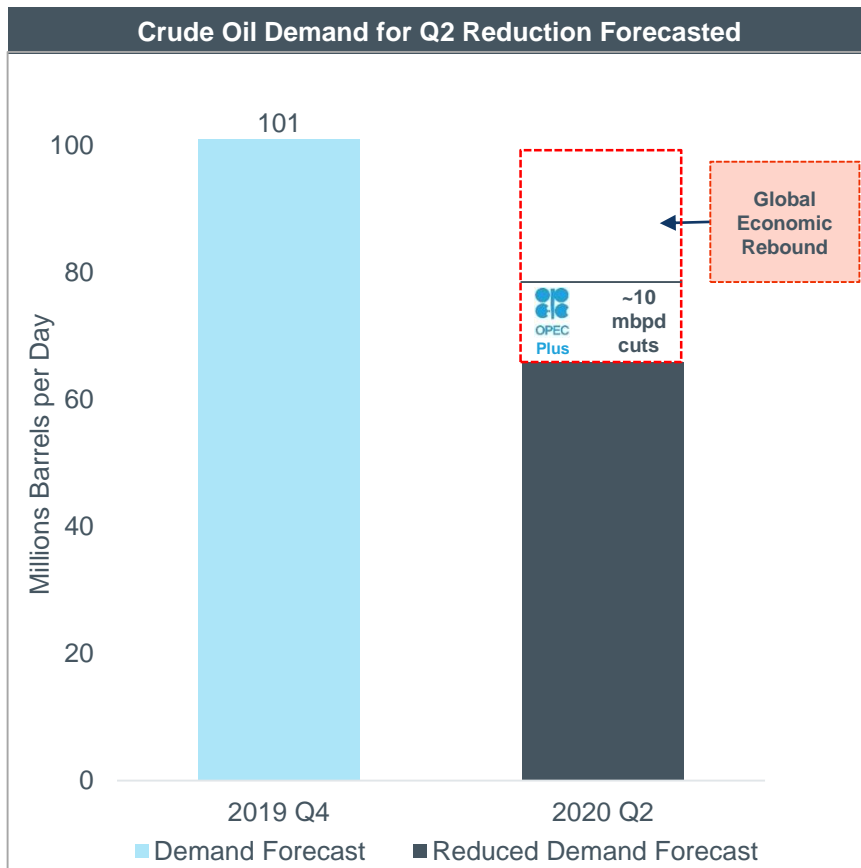
Source: Spears & Associates

U.S. Crude Oil Storage Capacity

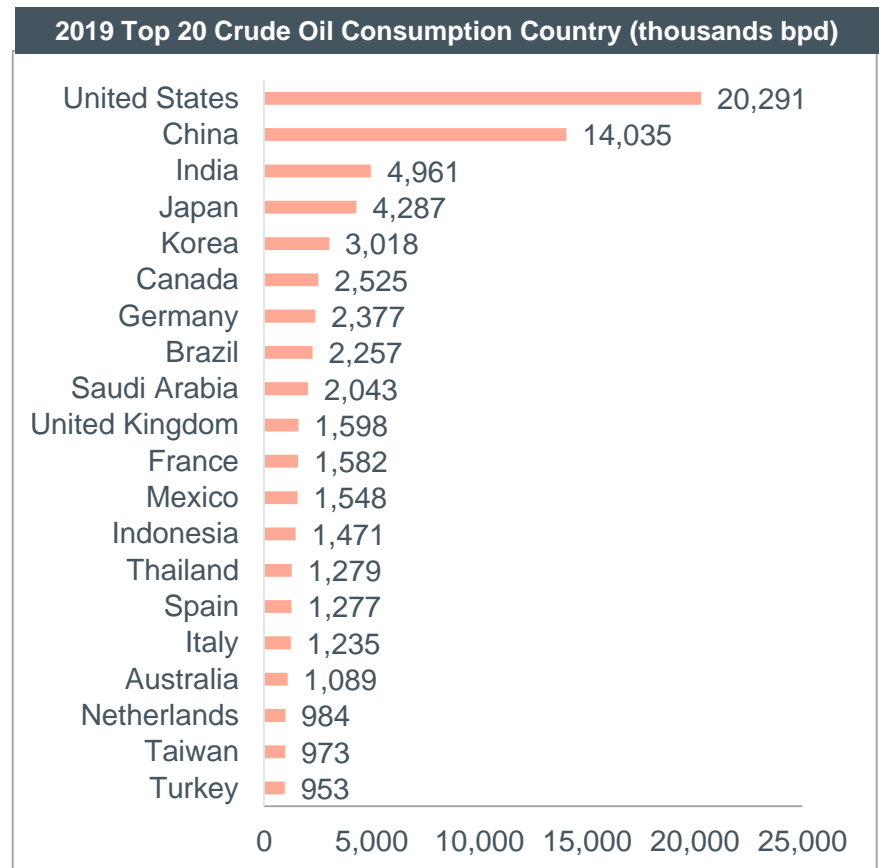


Source: EIA

OPEC Response/Demand Rebound

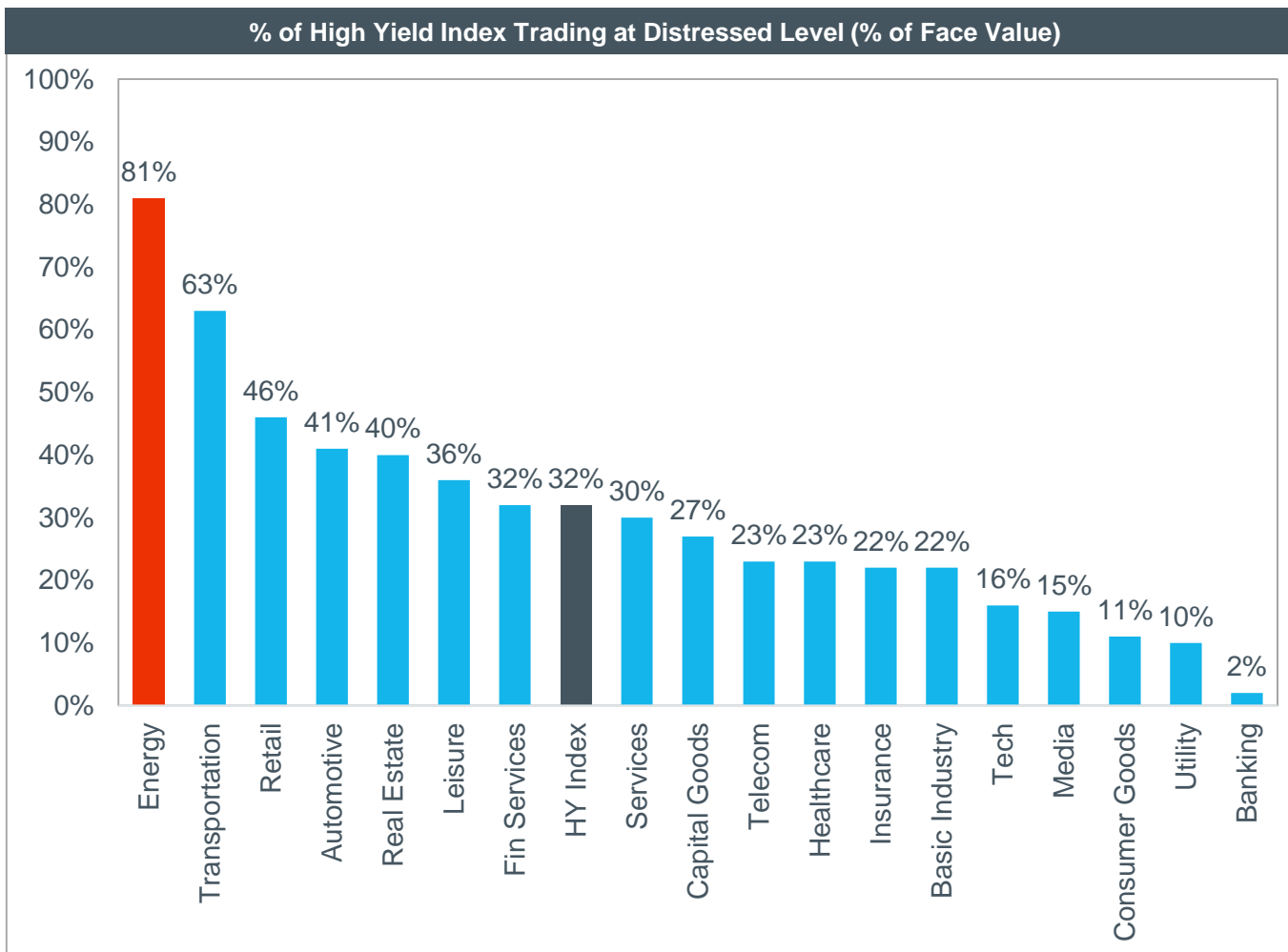


(1) Assumes 35% demand reduction



Source: JODI Oil Dataset, Monthly Update, Spears & Associates

Distressed Debt Rising Rapidly



Source: Deutsche Bank, CreditSights (data as of April 7, 2020)

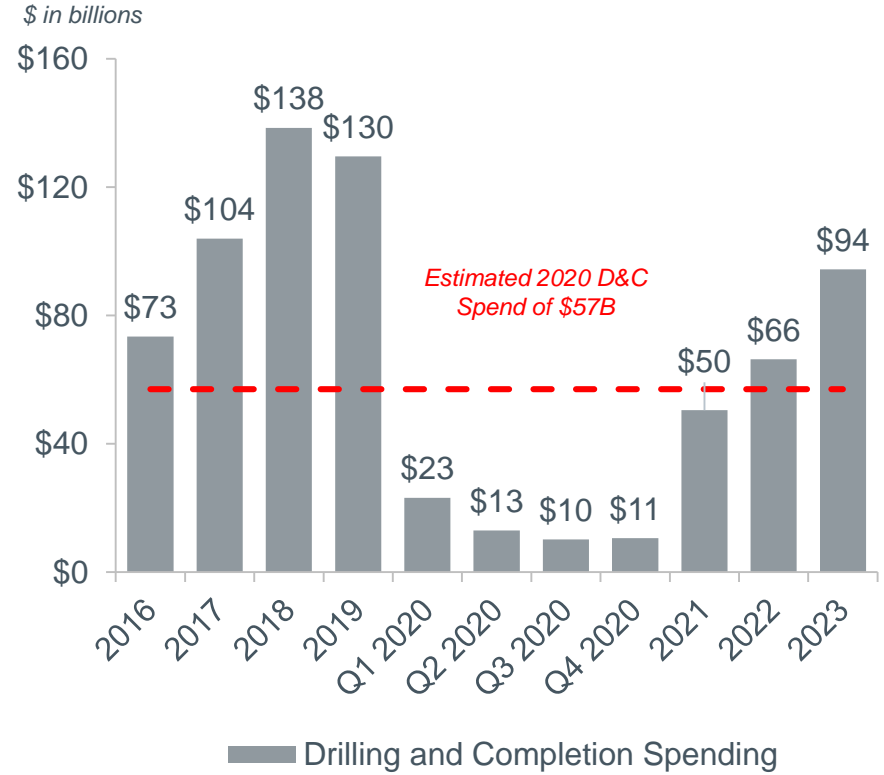
- More than \$140 billion of high yield energy debt is trading at distressed levels (spread >1,000 bps)
- Highest ever energy sector distress ratio

Conclusion and Recommendations



Martin Rubio
Energy M&A Advisory

U.S. Rig Count, Drilling and Completion (D&C) Spending



Source: Baker Hughes, Spears & Associates

What should Companies do in the Current Environment?

Lack of Visibility Drives Increased Need to Reduce Costs and Manage Cash

- Discontinue unprofitable divisions/product lines
- Evaluate liquidation of non-core/underutilized assets
- Scrutinize/defer working capital and capex investments
- Evaluate credit policies

Develop a Survival Plan

- Three year strategic and operating plan
- Extended cash flow and liquidity forecasts
- Discuss your plan with all stakeholders
- Evaluate capital structures that will provide liquidity to achieve your three year plan

*You are not alone in this.
Have vision, stay positive, think long term.*



We will get back to normal...eventually

Q&A

Light At the End of the Tunnel?



Appendix

Duff & Phelps Overview

Duff & Phelps is the global advisor that protects, restores and maximizes value for clients in the areas of valuation, corporate finance, investigations, disputes, cyber security, compliance and regulatory matters, and other governance-related issues. We work with clients across diverse sectors, mitigating risk to assets, operations and people.

4,000+
TOTAL
PROFESSIONALS
GLOBALLY

MORE THAN
19,000
ENGAGEMENTS
PERFORMED IN 2019

13,500
CLIENTS INCLUDING
NEARLY
47% OF THE
S&P 500

THE
AMERICAS

1,900+
PROFESSIONALS

EUROPE AND
MIDDLE EAST

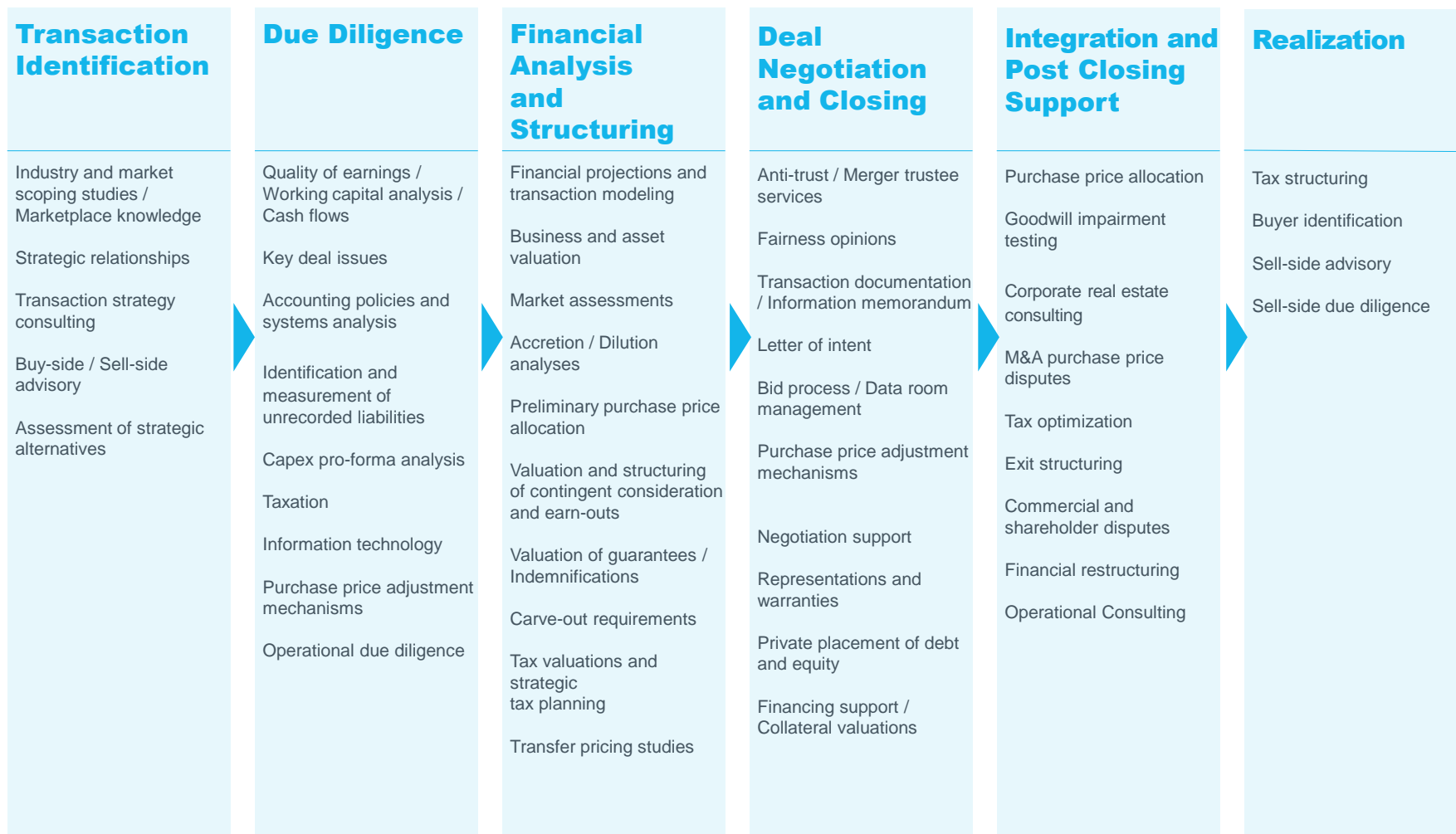
1,100+
PROFESSIONALS

ASIA
PACIFIC

700+
PROFESSIONALS

An End-to-End Integrated Platform

Each of our service groups performs a critical function in Duff & Phelps' integrated platform for enabling clients to maximize value across the transaction continuum.



An End-to-End Integrated Platform

Creative, Global Restructuring Practice

- 150 professionals worldwide with key offices in the US, UK, Canada, China, Ireland and Cayman Islands
- Completed over 550 transactions with \$850 billion in liabilities
- Advised on many of the most complex, multi-jurisdiction restructurings
- Services include in- and out-of-court restructurings, special situations, financings and distressed M&A

Experienced Energy Practice

- 20 professionals in the US, Canada, UK, and Middle East
- Advised on over 225 engagements in the energy equipment and services sector since 2010.
- Maintain active dialogue with global strategics, financial sponsors and capital providers to the category
- Services include sellside and buy-side M&A, private capital markets and restructuring

Differentiated Approach

- ✓ Unparalleled track record of delivering powerful results
- ✓ Collaborative engagement style ensures a high level of sector expertise
- ✓ Unique ability to effectively position turnaround stories
- ✓ Active dialogues with lenders, financial sponsors and strategic buyers
- ✓ Creative solutions for capital structure and business issues
- ✓ Direct operating experience & entrenched industry relationships

D&P Energy Practice Leadership Team

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Our Results

- 550+** Restructuring transactions completed
- 225+** Energy engagements completed in the past 10 years
- \$850+** Billion in aggregate liabilities restructured
- #4** Ranked middle-market M&A practice

Select Energy Transactions

<p>Restructuring</p>  <p>Financial Advisor to the Company</p>	<p>Restructuring</p>  <p>Financial Advisor to the Company</p>	<p>Restructuring</p>  <p>has expanded its existing facilities through the completion of a priority term loan</p>	<p>Restructuring</p>  <p>Financial Advisor to the Company</p>
<p>Restructuring</p>  <p>Financial Advisor to the Official Committee of Unsecured Creditors</p>	<p>Restructuring</p>  <p>Financial Advisor to the 1st Lien Lenders</p>	<p>Restructuring</p>  <p>Financial Advisor to the Committee of Equity Holders</p>	<p>Restructuring</p>  <p>Financial Advisor to the Official Committee of Unsecured Creditors</p>
<p>Restructuring</p>  <p>Financial Advisor to the Secured Creditor</p>	<p>Restructuring</p>  <p>Financial Advisor to the Pass Through Trust Certificate Holders</p>	<p>Restructuring</p>  <p>Financial Advisor to the Ad Hoc Committee of Note Holders</p>	<p>Restructuring</p>  <p>Financial Advisor to Ad Hoc Note Holders</p>
<p>Distressed M&A</p>  <p>Financial Advisor to the Company</p>	<p>Restructuring</p>  <p>Financial Advisor to the Senior Public Utilities Commission</p>	<p>Restructuring</p>  <p>Financial Advisor to the Senior Secured Convertible Noteholders</p>	<p>Restructuring</p>  <p>Financial Advisor to the Ad-hoc Committee of Unsecured Noteholders</p>

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www.duffandphelps.com

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