Strategic Options Available in a Continuously Volatile Market

By Mr. Jeff Reilly
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Amec Foster Wheeler plc
Outline

• Industry context
  – Volatility, consolidation and growth options
• AMEC/Amec Foster Wheeler’s journey
• What could happen next?
Oil price volatility... Nothing unusual
Midstream and downstream Capex volatility...
Nothing new here either!

LNG Capex ($ in billion)

Petrochemical Capex ($ in billion)

Refining Capex ($ in billion)

Rebased 2012 Capex forecast trends

Source: Deutsche Bank, IHS, Wood Mackenzie, SNL, Company Data
Note: 2013-2017 are DB estimates
Leading E&C contractors over time
Consolidation is ongoing...

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New entrants
- Mustang

New entrants
- Korean EPCs
- Chinese EPCs
- Larson & T
- CB&I
- AMEC
- Petrofac
- Wood Group

New entrants
- Aecom
- URS
- Wash. Gr. Flint
- Kentz

Koreans EPCs
Chinese EPCs
Larson & Toubro, Punj L, Tata, HCC
The OFS leaders are on the acquisition trail…
Two recent very big deals, but not a new trend!

November 17, 2014
*Halliburton and Baker Hughes reach agreement to combine in cash and stock transaction valuing BHI at $34.6bn*

... will yield nearly $2bn of operating synergies and will help increase offerings to customers while boosting returns of capital… plans to shed overlapping assets generating as much as $7.5bn…

Pro-forma revenues of $57bn

August 26, 2015
*Schlumberger to buy oilfield gear maker Cameron in $14.8bn deal*

... more complete solution to customers … will allow to bundle offerings from surveying to drilling wells with pressure valves and blowout preventers…

Pro-forma revenues of $59bn
Options for growth and adaptability
(Excluding transformational steps)

Geographic expansion
• Entry in new countries
• Increased coverage in country

Execution/ Delivery model
• Self-perform/ vertical integration
• HVEC
• Supply chain involvement
• Partnerships

Services/Offerings
• Services/scope expansion
• Bundling of existing offerings
• (LS(TK)) EPC
• New business models/mix change (Risk transfer, partial ownership/BOO(T))
• Technology based offerings
• Assets based offerings
• Fabrication
• Full(er) lifecycle coverage
• Consulting
• Innovative approaches (modularisation, design once, etc.)

Markets/Sectors
• Expansion beyond current boundaries (both in O&G & elsewhere)
• Gap filling
• Access to new ‘distribution’ channels
• Increased share, all else being equal
Amec Foster Wheeler Overview
A leading services company with strong oil and gas focus

- Listed in: UK (LSE) and US (NYSE)
- Market capitalisation: ~$5bn
- Annual revenue: ~$10bn
- Operating margin: 7-8%
- Employees: ~40,000
- Offerings: Consultancy, engineering, project management, operations and construction services, specialized power equipment
- Markets: Oil & Gas (upstream and downstream), mining, clean energy, environmental & infrastructure
Amec Foster Wheeler’s journey
Long-term track record of growth

Key Milestones

2006
Disposal of AMEC SPIE and appointment of new CEO

2007
Sale of UK-based civil construction businesses

2008
Acquired consulting companies Geomatrix, RH and BDR

2009-2010
Sold AMEC Wind UK to Vattenfall
Acquired MACTEC, a US based firm providing engineering environmental and construction services

2011
Acquired GRD, an Australian mining business and Entec, a UK E&I firm

2012
Acquired Serco’s nuclear services; Unidel, a Brisbane-based consulting company and 50% stake in KROMAV

2013
Completed £400m share buy-back (over 12 months)

2014
Acquired Foster Wheeler which brings downstream market access, proprietary process technologies, and a boiler supply business
Acquisitions also provided greater reach in emerging markets

Historic Performance

Year end market cap. (£m)

2004 £899m
2005 £1,143m
2006 £1,406m
2007 £2,830m
2008 £1,665m
2009 £2,677m
2010 £3,887m
2011 £3,067m
2012 £3,089m
2013 £3,238m
2014 £3,316m
2015C £3,399m

Turnover (£m)

2004 1,582
2005 1,789
2006 2,122
2007 2,356
2008 2,606
2009 2,452
2010 2,786
2011 3,133
2012 4,088
2013 3,974
2014 3,993
2015C 3,920

EBITA % margin

2004 3%
2005 3%
2006 3%
2007 5%
2008 7%
2009 9%
2010 10%
2011 10%
2012 8.2%
2013 8.6%
2014 8.0%

Source: Company filings, market consensus
What have we done...
(Excluding transformational steps)

- Execution/Delivery model
  - Amec, Black Cat

- Geographic expansion
  - GRD Minproc Limited
  - MDM Engineering
  - Paragon
  - Angola

- Services/Offerings
  - Qedi
  - Scopus

- Markets/Sectors
  - Bower Damberger Rolseth Engineering Ltd.
## Amec Foster Wheeler
### A compelling business combination

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<th>AMEC Standalone</th>
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**Key:**
- **Strong Position**
- **Limited Position**
- **No material position**

* Growth aspiration

**Source:** Corporate websites. Analysis is indicative and is not intended to represent the entirety of the market.
Amec Foster Wheeler – Priorities

- Deal with continued challenging markets
  - Diverse/Adaptable/Scalable model

- Build on our track record
  - Services, reimbursable and fixed priced EPC, PMC, HUCC, etc.

- Adapt and innovate
  - Create new opportunities
    - e.g. More4Less, revenue synergies

- Stay lean and efficient
  - Integration cost savings and continuous improvement
Cumulative global market shares for key O&G industry segments

- Completion fluids ($17bn)
- Pressure pumping ($47bn)
- Directional drilling ($16bn)
- Subsea equipment ($28bn)
- Offshore construction ($48bn)
- Onshore E&C ($102bn)
- SURF ($29bn)
- Offshore supply vessel ($16bn)
- Onshore drilling ($31bn)
- Offshore drilling ($49bn)

Is the fragmentation justified?

Source: Societe Generale research – 27 August 2015