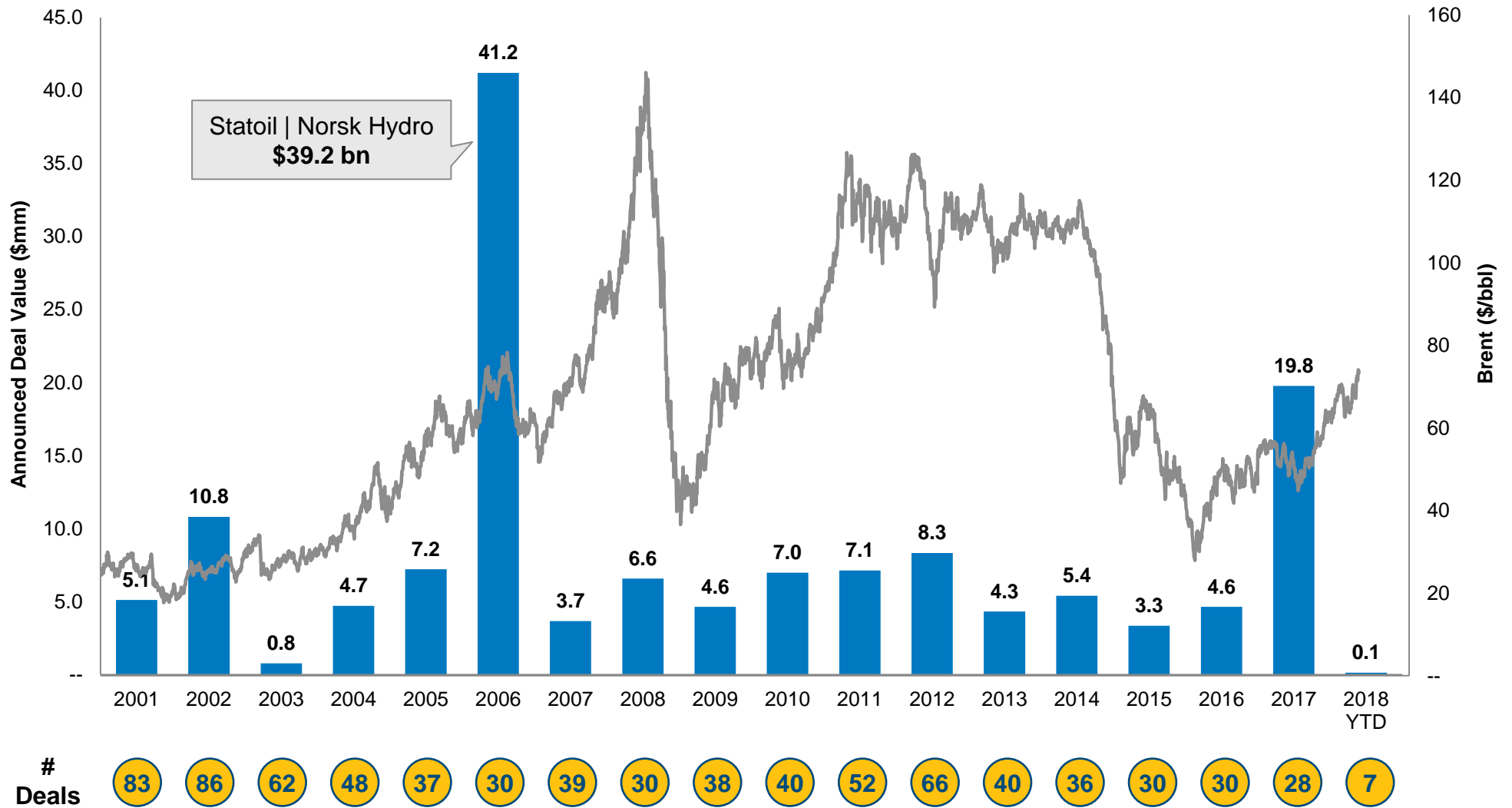


Upstream M&A: Structuring and Financing Themes

25 April 2018























M&A Trends: North West Europe

NORTH WEST EUROPE: ANNOUNCED M&A TRANSACTIONS (2001 – 2018YTD)



















Source: Wood Mackenzie M&A Service, Bloomberg, as at 23 April 2018

Recent M&A Themes: Deal Structuring

STRUCTURE	DESCRIPTION	RECENT EXAMPLES
<p>Decommissioning Retention</p>	<ul style="list-style-type: none"> • Seller retains exposure to decommissioning liabilities • Full retention, partial retention or capped retention 	<ul style="list-style-type: none"> •  SERICAENERGY  •  CHRYSAOR  •  EQ EnQuest 
<p>Contingent Payments <i>Performance Linked</i></p>	<ul style="list-style-type: none"> • Future payment(s) linked to asset performance or achievement of key project milestone(s) • e.g. Production levels, reserve upgrades, project FID, exploration success 	<ul style="list-style-type: none"> •  NEPTUNE ENERGY  •  SICCAR POINT ENERGY 
<p>Contingent Payments <i>Commodity Price Linked</i></p>	<ul style="list-style-type: none"> • Future payment(s) linked to future commodity prices • Potential to cap upside / limit downside for buyer <ul style="list-style-type: none"> ■ Typically for a defined period (e.g. 1 – 3 years) 	<ul style="list-style-type: none"> •  CPP INVESTMENT BOARD  •  CHRYSAOR  •  SICCAR POINT ENERGY  JX JX Nippon Oil & Gas Exploration
<p>Deferred Consideration</p>	<ul style="list-style-type: none"> • Fixed consideration payments paid at a future date; or • Variable consideration payments made from future cash flows 	<ul style="list-style-type: none"> •  SERICAENERGY  •  INEOS  DONG energy •  EQ EnQuest 

Recent M&A Themes: Financing

INSTRUMENT	DESCRIPTION	RECENT EXAMPLES
<p>RBL Financing</p>	<ul style="list-style-type: none"> • Syndicated bank facility secured against reserves 	<ul style="list-style-type: none"> •   •   •   •  
<p>Vendor Financing</p>	<ul style="list-style-type: none"> • Subordinated debt facilities provided by the seller • Can be used to effect deferred consideration payments 	<ul style="list-style-type: none"> •   •  
<p>Prepayment Facility</p>	<ul style="list-style-type: none"> • Lending facility repaid through delivery of oil or gas volumes • Provided by oil & gas trader / marketer <ul style="list-style-type: none"> ■ Potentially provided by seller's trading / marketing division 	<ul style="list-style-type: none"> •  
<p>High Yield Bond</p>	<ul style="list-style-type: none"> • Senior notes; structurally subordinate to bank debt • Typically used to refinance other facilities post acquisition <ul style="list-style-type: none"> ■ e.g. RBL facility, Bridge financing, etc. 	<ul style="list-style-type: none"> •  • 

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