



Working Capital Trends

O&G Sector

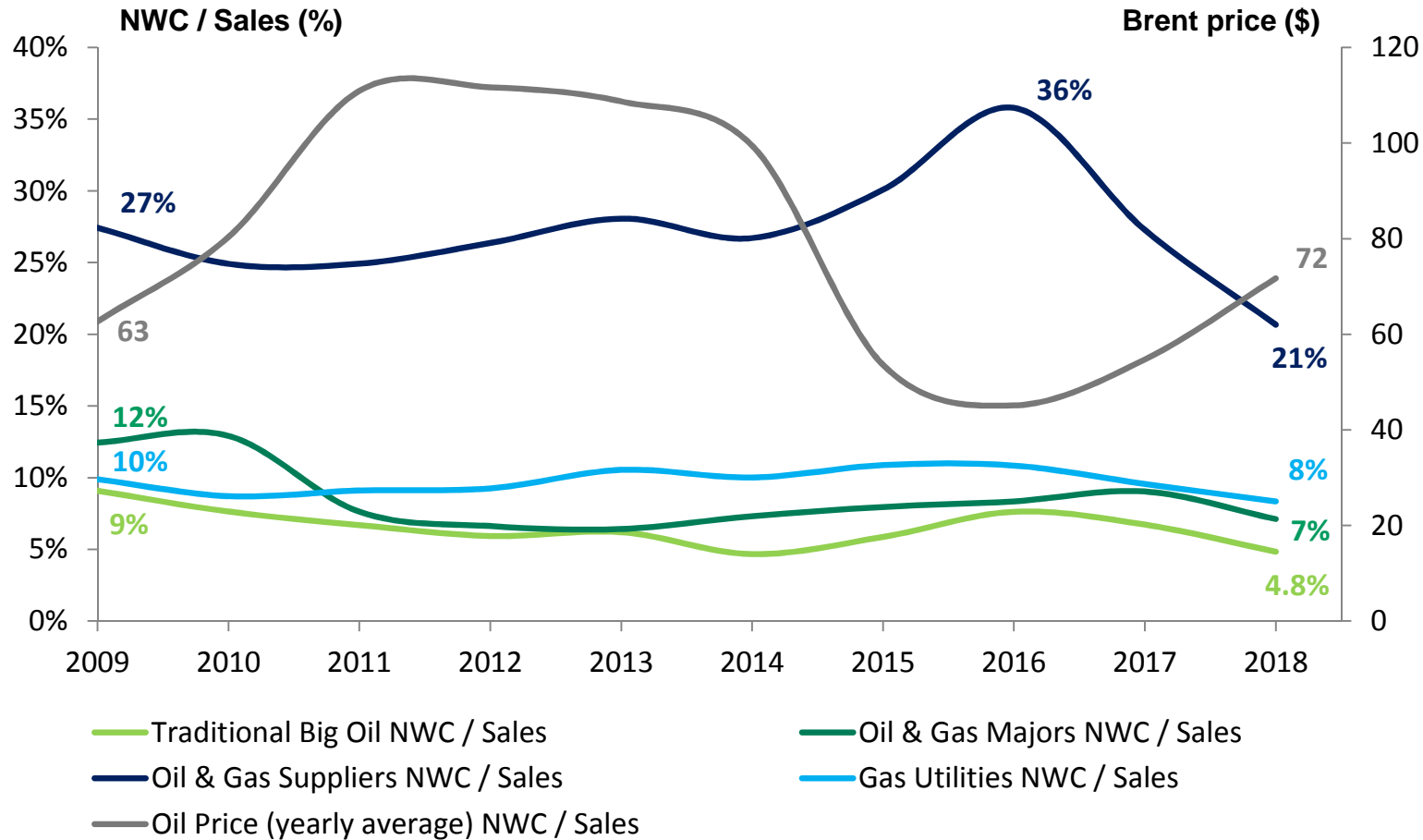
July 12th, 2019

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O&G Working Capital trends

Traditional Big Oil, Majors, Gas utilities and Suppliers NWC / Sales



- **Net Working Capital** has **been trending downwards** in the industry from 2009 to 2018 (-22% for O&G Suppliers, -42% for O&G Majors, -16% for Gas Utilities and -47% for Traditional Big Oil companies)
- Oil & Gas **Suppliers** experienced more volatility in their **NWC** which **peaked at 36% of Sales** when Brent bottomed out in 2016
- **Traditional Big Oil** have historically been using their Working Capital **the most efficiently**

Traditional Big Oil: BP, Chevron, Exxon Mobil, Royal Dutch Shell, Total

Oil & Gas Majors: 37 companies including Eni, Gazprom-Neft, Galp, Lukoil, OMV, Sinopec, Equinor, Rosneft...

Gas Utilities: Gazprom, Engie, Enel, Centrica, Naturgy

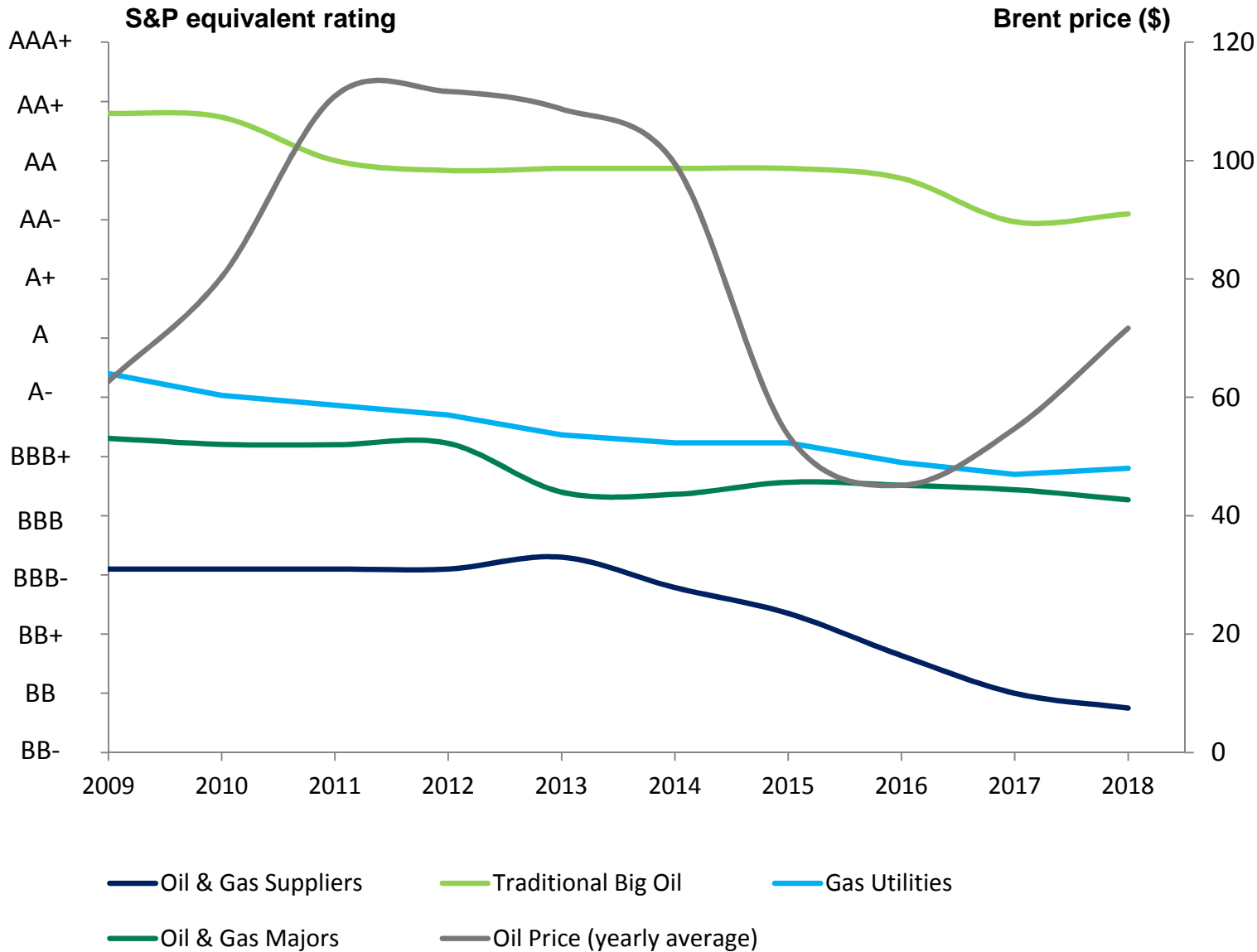
Oil & Gas Suppliers: 224 companies including Technip FMC, Subsea 7, McDermott, Baker Hugues, Petrofac, Saipem, Schlumberger, Weatherford...

Oil Price: Brent (yearly average)

NWC / Sales: Net Working Capital / Sales = (Trade Receivables + Inventory – Trade Payables) / Sales

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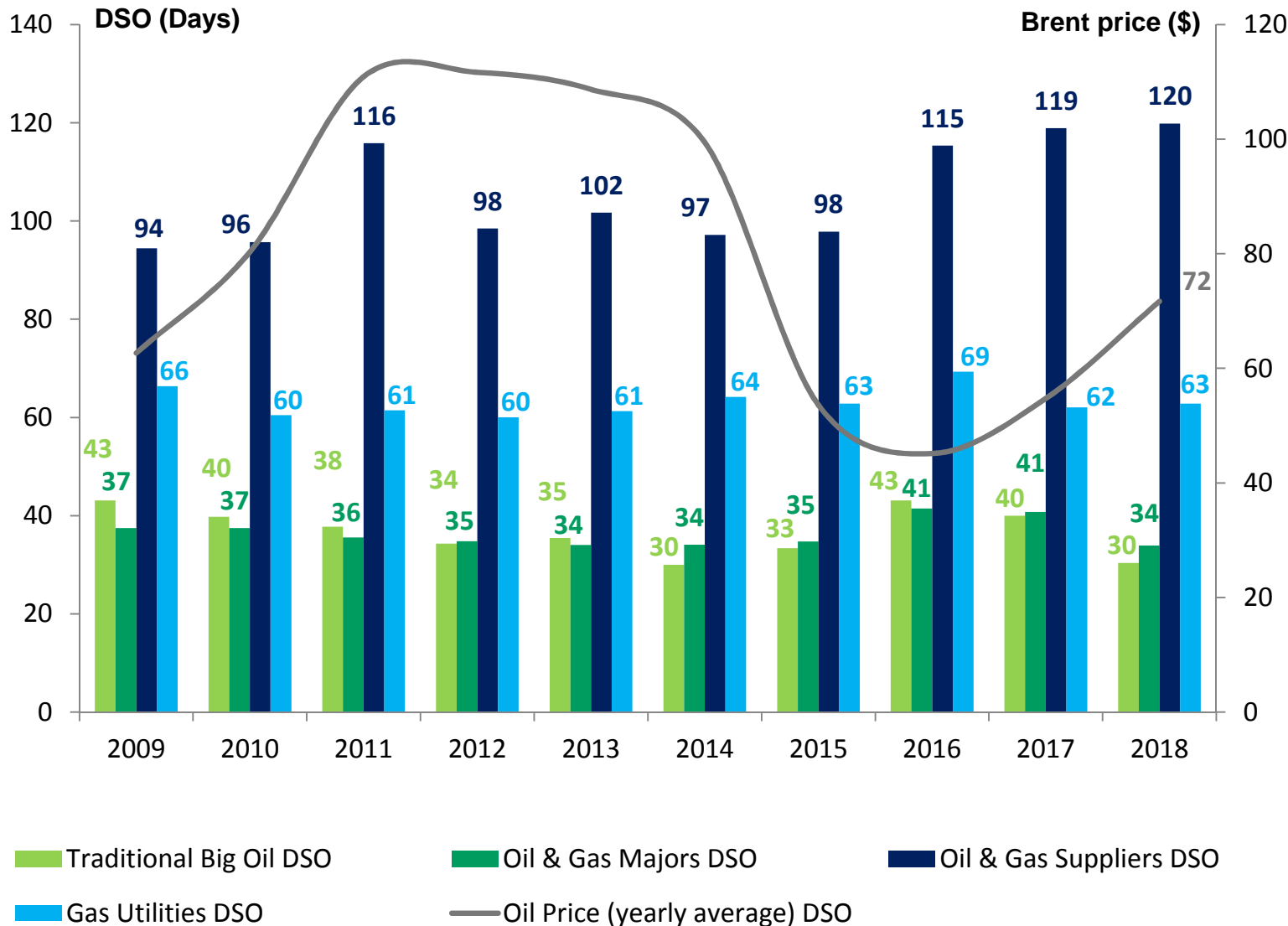
Rating Arbitrage with Suppliers



- Traditional Big Oil companies and Oil & Gas Majors **credit quality** as measured by Rating agencies **on decrease** over the last decade
- Oil & Gas **Suppliers' credit quality went below Investment Grade** on average
- This credit rating arbitrage shows the **relevancy of financing suppliers** through payables financing schemes (prepayment, WIP financing, Supply Chain Finance, etc)

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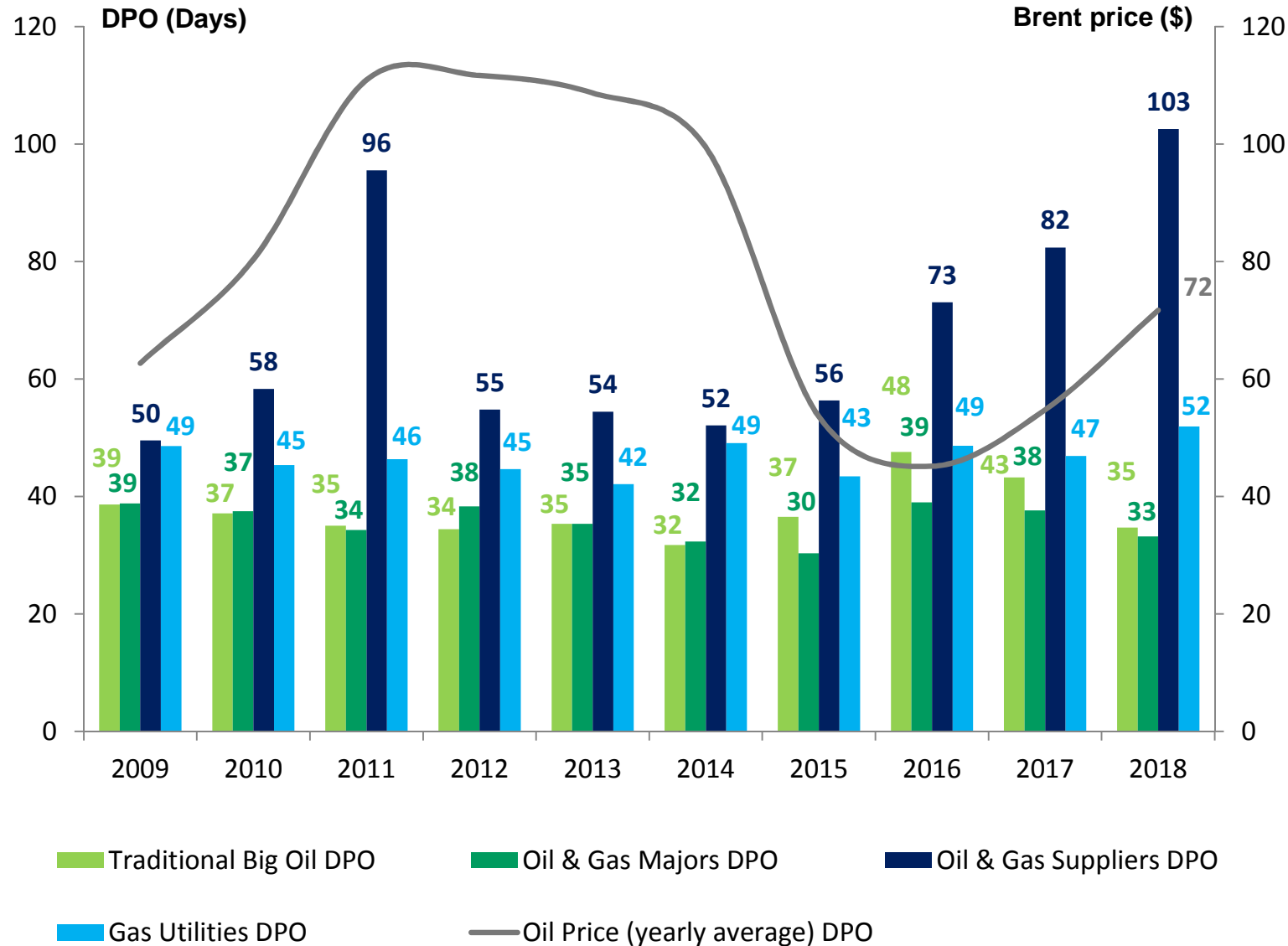
DSO gap is growing showing opportunities



- Days of Sales Outstanding **gap between suppliers and their clients has widened** over the last decade with Suppliers DSO **increasing** from **94 days** in 2009 to **120 days** in 2018, while Traditional Big Oil companies DSO decreased from **43 days to 30** over the same period
- On major oil side, we observed an increased use of receivables financing tools like securitisation
- On the other hand, we observed long term supply contracts with back ended payment structures

O&G Working Capital trends

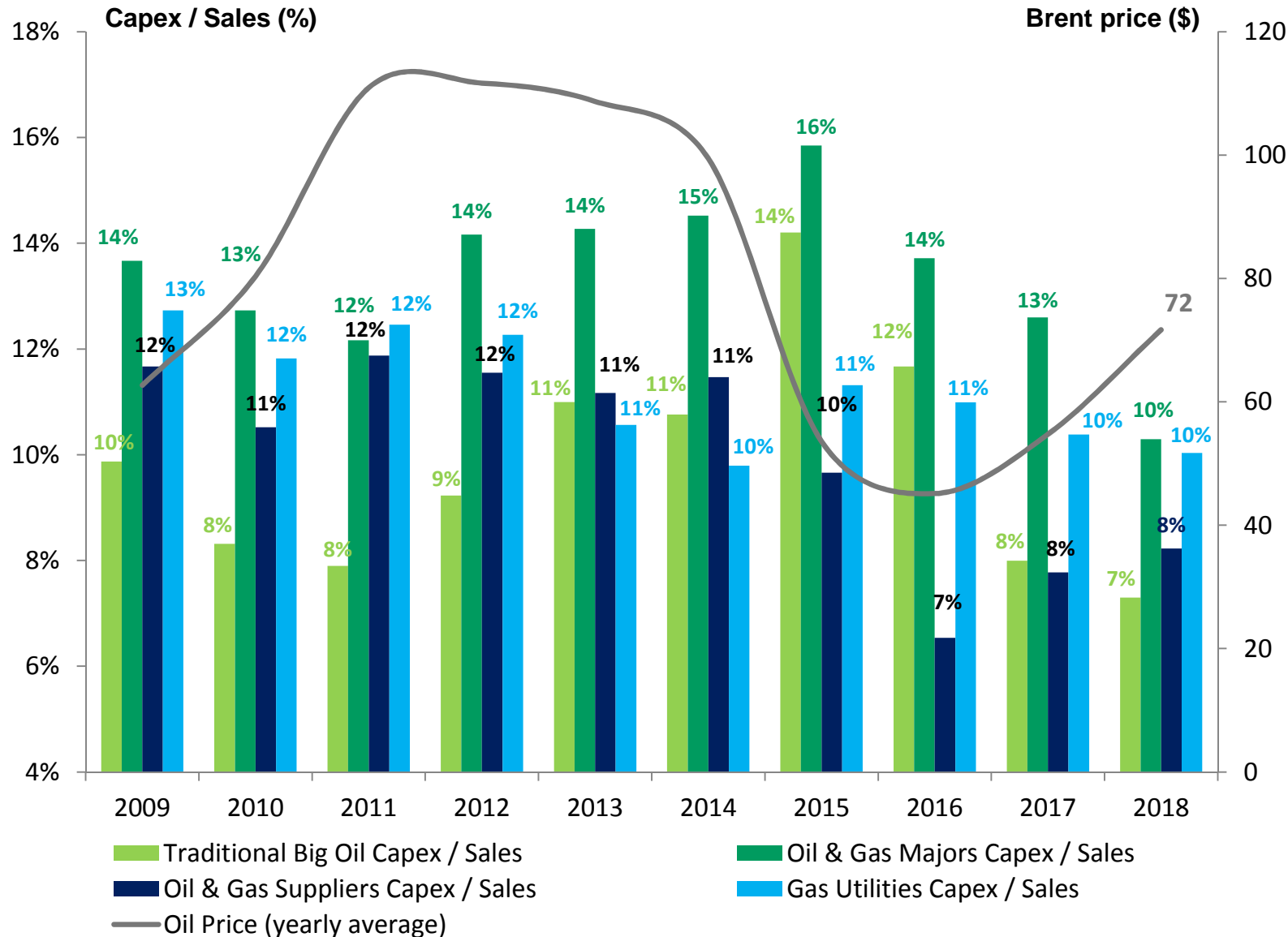
DPO gap showing not efficiency but difficulties



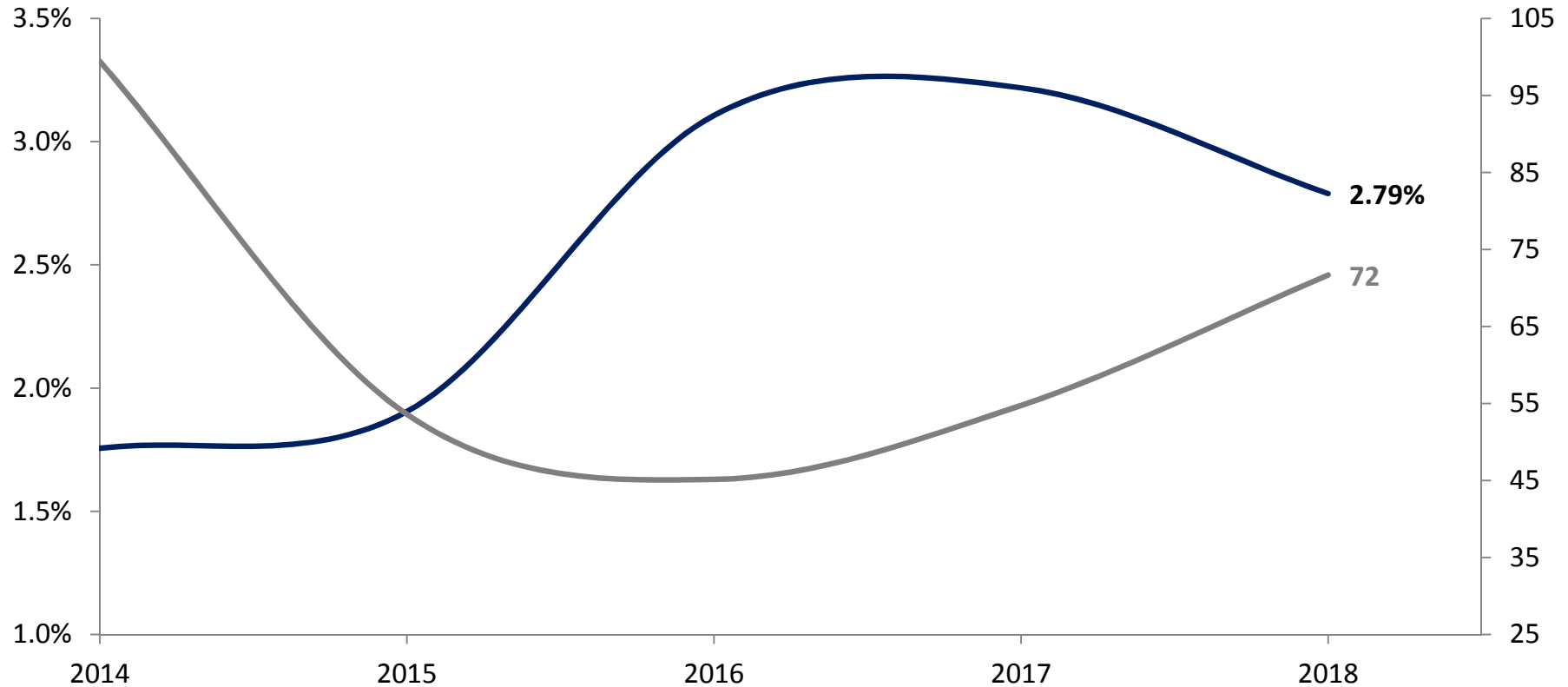
- Days of Payables Outstanding peaks when oil price peaks for O&G suppliers
- Days of Payables Outstanding peaked for Majors and Traditional Big Oil companies when Oil price bottomed out
- O&G Suppliers DPO doubled from 2009 (50 days) to 2018 (103 days)

O&G Working Capital trends

Capex drop slows down



- **Capex / Sales** have been trending downwards and reached **10-year low in 2018** for Traditional Big Oil companies and O&G Majors (7% and 10% respectively in 2018)
- O&G Suppliers' Capex / Sales have bottomed out in 2016 at 7% and are those companies are entering a **new Capex cycle**



— Selected Oil & Gas companies (Receivables Sold / Sales) — Oil Price (yearly average)

O&G Working Capital trends

Payables and Capex Financing



- Emergence of Supply Chain Finance and Dynamic Discounting
 - Non-oil related purchases, so not significant volume, however good arbitrage opportunities
- Oil Purchase Financing and Accounting topics
 - More and more arrangements linked to oil purchases, also integrated to Supply Chain Finance platforms, financing cost is borne by the buyer.
 - Different structures including overdue payments financing, less usage of LCs
 - Accounting discussions prevail
- Prepayment Arrangements and Accounting topics
 - Prepayment became more popular than PXF
 - Growing importance of trading companies in the global economy
- Financing of Capex in an Off-balance sheet manner – Negative Cash Flow
 - Cash Flow strains on Capex projects and OFS companies
 - Deconsolidating WIP financing structures
 - IFRS 16 impact and IFRS 16 compliant service contracting structures

O&G Working Capital trends

Receivables and Inventory Financing



- Monetisation of Oil
 - Still trendy, however legal and accounting issues prevail
- Monetisation of Certificates
 - Cleaner structures with potential off-balance sheet treatment
- Securitisation
 - Structured off-balance sheet receivables financing for capital structuring is on rise
 - Can include unbilled, portfolio diversification benefit
- Factoring / Forfaiting
 - Still in use for risk and balance sheet management
- Borrowing Base Arrangements
 - Mid to long term financing backed by receivables and inventory

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