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Outlook on future planning: A look at this year's energy survey

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Learning objectives

- 1 Describe survey findings including: optimizing production and operational efficiencies, business strategy, capital expenditures, and attracting talent
- 2 Explain the impact on how energy companies are valued and potential deals

Agenda

- 1 Energy survey overview and trends
- 2 Impacts on business strategy
- 3 Trends in talent and staffing
- 4 Valuation and deals

About the survey

- Collected through October 2017
- 500 companies
- C-suite and senior executives
 - U.S. independent producers
 - Midstream operators
 - Oilfield service companies
 - Financial Companies



Survey observations and trends

- Cautious yet optimistic
- Focus on improving efficiencies
- Making use of new technologies
- Disciplined acquisitions



Polling question #1

Where do you believe the best opportunities are to manage costs into the next year?

- a. Use of technology
- b. Improved drilling, completion and production processes
- c. Internal process efficiencies
- d. Strategic change of focus

Impacts on business strategy



- Sharpening of strategy to focus on core areas
- Efficient capital expenditures
- IT capabilities – data analytics

Figure 1: Which strategy fits your company within the next 1-3 years (top responses)?

Pull back to a few core areas:
sharpen focus on those

42%

Diversify the asset portfolio across
multiple plays/basins

26%

Restrict the asset portfolio to
a pure-play strategy

21%

Seek more efficient and environmentally
friendly drilling and production methods

11%

Polling question #2

What is your biggest challenge regarding technology?

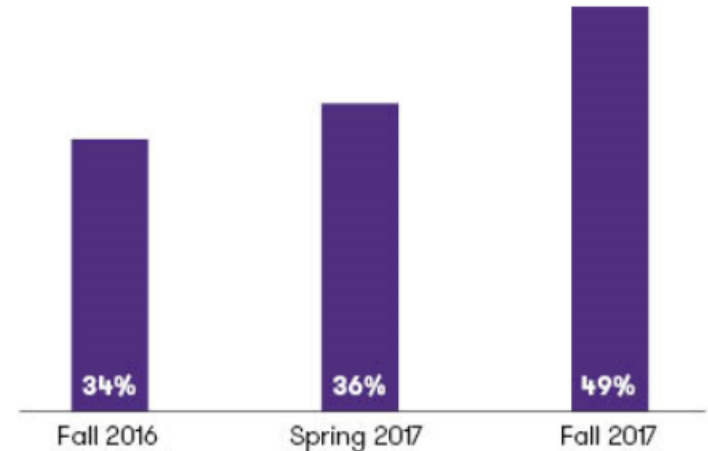
- a. Cybersecurity
- b. Real time access to key data
- c. Cost of implementing new technology platforms
- d. Systems integration
- e. None of the above

Trends in talent and staffing



- Staffing at current levels with selective hiring
- Increasing role of IT within the industry and a need for new skills

Figure 2: What are your plans regarding staffing?
% answering — “We are hiring now” or “May do selective hiring in the coming year”



Polling question #3

How focused is your company on attracting new talent with IT skillsets?

- a. not focused
- b. somewhat focused
- c. very focused

Valuation and deals

- Energy transaction market observations
- Challenges to getting deals done
 - Jobs Act / Tax reform
 - Pricing
- Important adjustments in valuation



Polling question #4

What is the greatest challenge to closing deals?

- a. Expectations of significant capital expenditure requirements
- b. Availability and access to capital
- c. Business risk and bid/ask spreads between buyers and sellers
- d. Lack of quality diligence
- e. Other

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Questions?



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