

Akastor ASA

Second Quarter Results 2020

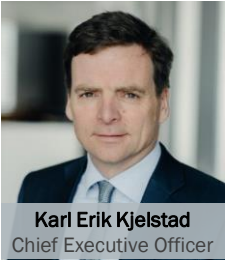


AKASTOR

Karl Erik Kjelstad (CEO) & Øyvind Paaske (CFO)

Fornebu | 16 July 2020

Presenters and agenda



Group highlights

Portfolio highlights

Financial update

Q&A session



2Q 2020 highlights

Revenue	EBITDA	Net Capital Employed	Net Interest-Bearing Debt
NOK 1.3bn ↓	NOK 70m ↓	NOK 5.6bn ↓	NOK 1.5bn ↑

- Revenue of NOK 1.3 billion, 4 percent decline year-on-year
 - Revenue of NOK 1.1 billion from MHWirth
 - Revenue of NOK 0.2 billion from AKOFS Offshore (not consolidated)
- EBITDA of NOK 70 million, 38 percent decline year-on-year
 - EBITDA of NOK 110 million from MHWirth
 - EBITDA of NOK 83 million from AKOFS Offshore (not consolidated)
 - EBITDA negatively affected by specific M&A cost of NOK 43 million
- Net interest-bearing debt of NOK 1.5 billion, increase of NOK 100 million in the quarter
 - Increase in net interest-bearing debt affected by conversion of receivables towards AKOFS Offshore to equity





Portfolio companies highlights

Akastor portfolio composition

Industrial investments

	Leading global provider of first-class drilling systems, products and services	100%
	Global provider of subsea well construction and intervention services	50%
	Global provider of well design and drilling project management, HSEQ, reservoir and field management services	64% ¹⁾
	Supplier of vapour recovery technology, systems and services to O&G installations	100%

Financial investments

	Global O&G manpower specialist	17%
	International drilling, well service and engineering company with 2 000 employees and operations in more than 20 countries	USD 75m preferred equity
	Company owning 5 mid-sized AHTS vessels operated by DOF ASA	50%
	North Sea Drilling Contractor, owning and operating Harsh Environment Semi-Submersible rigs	5.6%





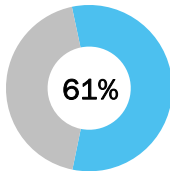
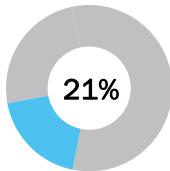
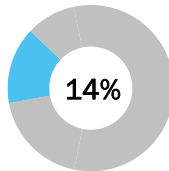
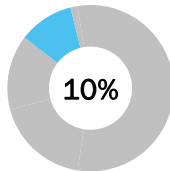
1) Economic ownership | 100% legal ownership

Managing the COVID-19 pandemic

- Our main priority remain to safeguard our employees and secure financial strength
- Despite the current challenging market conditions, all portfolio companies delivered positive contribution in the quarter
- MHWirth demonstrating robustness of business model with a solid financial performance despite market turmoil
- Aker Wayfarer downtime due to COVID-19 outbreak, stringent safety measures ensured swift return to normal operation
- Continuous adaption of cost base to new market situation, around 300 FTE's temporarily or permanently laid-off since start of March
- Continued uncertainty going forward due to oil price volatility



Key value drivers for our main portfolio assets

			
<p>NCE per 2Q 2020: NOK 3 443m</p>  <p>61%</p>	<p>NCE per 2Q 2020: NOK 1 178m</p>  <p>21%</p>	<p>NCE per 2Q 2020: NOK 814m</p>  <p>14%</p>	<p>NCE per 2Q 2020: NOK 586m</p>  <p>10%</p>
<p>Ownership agenda:</p> <ul style="list-style-type: none"> Buy-and-build strategy with targeted IPO 	<p>Ownership agenda:</p> <ul style="list-style-type: none"> Secure order backlog and explore strategic initiatives 	<p>Ownership agenda:</p> <ul style="list-style-type: none"> Maximize return on instrument (preferred equity + warrants) 	<p>Ownership agenda:</p> <ul style="list-style-type: none"> Continue to grow the company organically and through M&A to maximize value at exit
<p>Key value drivers:</p> <ul style="list-style-type: none"> Reactivation of stacked rigs driving service and product revenue Increased focus on digital and automation solutions driving sale of new products and services Value enhancing M&A transactions 	<p>Key value drivers:</p> <ul style="list-style-type: none"> Successful contract commencement for AKOFS Seafarer Maintain all vessels on contract Increased LWI activity (P&A, XT installations, and intervention operations) 	<p>Key value drivers:</p> <ul style="list-style-type: none"> <i>Preferred payments:</i> continued strong order backlog and modest leverage <i>Warrants:</i> improved rig fundamentals 	<p>Key value drivers:</p> <ul style="list-style-type: none"> Demand for specialized contractors in industries such as Oil & Gas, Life Sciences and Power & Renewables

Portfolio Highlights 2Q 2020 (1 of 2)

Drilling equipment

Projects

- 20% lower revenue compared with 1Q, due to progress schedule
- Awilco rig #1 terminated between yard and end-client in 2Q. Contract between Keppel and MHWirth not directly affected
- Newbuild market expected to remain challenging



Products

- Revenue 10% higher than 1Q, driven by deliveries of previous secured orders
- Order intake in 2Q reduced compared to 1Q, on back of market turmoil
- Reduced investment levels among clients may impact order intake
- Non-oil business, constituting around 40% of single equipment sale in 2019, expected to be less impacted by current market turmoil



Lifecycle services, spares and components

DLS

- Only slight reduction in revenue compared to 1Q (-5%), as COVID-19 effects were partly mitigated by good overhaul activity and continued high spare part sale
- Reduction in number of active rigs in the quarter from 51 to 47
- Continued uncertainty on activity level going forward due to COVID-19 situation and oil price decline affecting drilling activity



Digital Technology

- Continued focus on deliveries on existing contracts
- Suspension of two DEAL packages to US customer. Potential reactivation depending on future contract situation of units.
- Good pipeline of opportunities for control system upgrades and full DEAL functionality
- High R&D activity, targeting development of new functionality and enhanced efficiency and sustainability for drillers, with external funding committed



Portfolio Highlights 2Q 2020 (2 of 2)

Other industrial holdings



- Solid revenue utilization for Skandi Santos in Brazil
- Aker Wayfarer had 17 days of downtime in June related to COVID-19 outbreak on board
- AKOFS Seafarer currently ongoing final preparations and testing ahead of the five-year contract with Equinor
- Revenues of NOK 201 million, EBITDA of NOK 83 million (100% basis)



- **AGR** – Revenues and EBITDA in quarter of NOK 157 million and NOK 5 million, respectively. Q2 financials negatively impacted by COVID-19 and subsequent decline in oil price. Significant cost cutting measures implemented in quarter to reduce impact
- **Cool Sorption** – Performance driven by one large project delivered in June

Financial holdings



- **Awilco Drilling** – Terminated contract with yard for “Nordic Winter”. Share price decreased during the quarter
- **DOF Deepwater** – All vessels currently in lay-up. Ongoing restructuring process with lenders
- **NES Global Talent** – Reduced activity due to travel restriction and oil price turmoil
- **Odfjell Drilling** – Received preferred dividend payment in the quarter and increased warrant valuation due to share price increase

Financial update

Financial highlights 2Q 2020

NOK million	2Q 2020	2Q 2019	1H 2020	1H 2019
Revenue	1 254	1 304	2 677	2 375
EBITDA	70	114	208	206
EBIT	2	27	73	58
Net financials	46	(53)	(347)	(16)
Profit (loss) before tax	48	(26)	(274)	42
Tax income (expense)	(33)	(12)	(1)	(18)
Profit (loss) from continuing operations	16	(38)	(275)	24
Net profit (loss) from disc. operations	-	(40)	(116)	(40)
Profit (loss) for the period	16	(78)	(391)	(16)
Order intake	1 165	1 786	2 302	2 932
Order backlog	2 838	3 529	2 838	3 529
NCOA	1 114	875	1 114	875
Net Capital Employed	5 626	5 234	5 626	5 234

2Q 2020 highlights

- Revenue decline of 4 percent year-on-year mainly driven by reduced activity in MHWirth caused by COVID-19 and oil price turmoil
- EBITDA down 38 percent year-on-year. Adjusting for specific M&A cost of NOK 43 million incurred in quarter, EBITDA was in line with last year
- Depreciation and amortization of NOK 68 million in 2Q
- Net financial items of NOK 46 million include net non-cash items from financial investments of NOK 6 million and FX gain of NOK 63 million

Key financials reconciliation

Revenue (NOK million)	2Q 2020	2Q 2019	1H 2020	1H 2019
MHWirth	1 052	1 088	2 206	2 050
AGR	157	156	374	186
Cool Sorption	33	35	76	95
Other	14	33	24	63
Elimination	(2)	(8)	(2)	(19)
Reported Group revenue	1 254	1 304	2 677	2 375
AKOFS Offshore (100%)	201	234	505	491

EBITDA (NOK million)	2Q 2020	2Q 2019	1H 2020	1H 2019
MHWirth	110	121	245	213
AGR	5	(1)	23	1
Cool Sorption	2	5	3	14
Other	(47)	(11)	(63)	(22)
Reported Group EBITDA	70	114	208	206
AKOFS Offshore (100%)	83	104	259	240

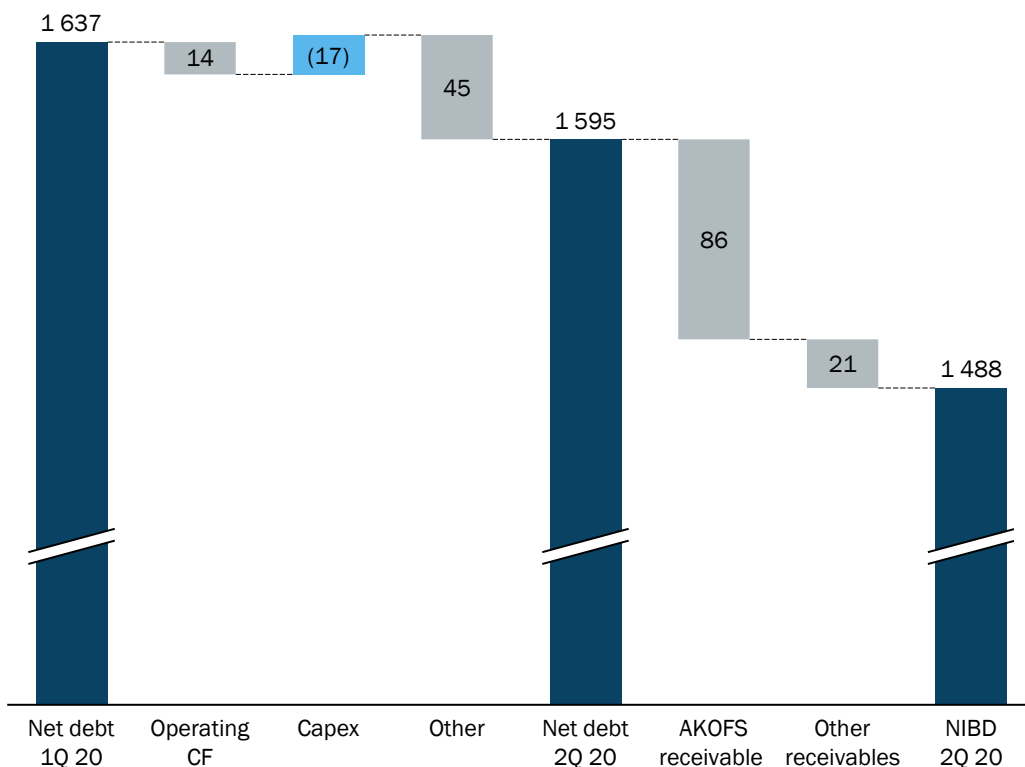
Net financial items (NOK million)	2Q 2020	2Q 2019	1H 2020	1H 2019
Odfjell Drilling	31	15	(21)	61
Awilco Drilling	(4)	(16)	(36)	(4)
NES Global Talent	17	25	(87)	41
DOF Deepwater	(4)	(28)	(75)	(34)
AKOFS Offshore	(23)	(26)	(19)	(34)
Contribution from financial investments	16	(31)	(239)	30
Net interest exp. on external borrowings	(15)	(15)	(32)	(27)
Net interest exp. on lease liabilities	(9)	(9)	(18)	(17)
Net foreign exchange gain (loss)	63	7	(46)	4
Other financial income (expenses)	(9)	(5)	(13)	(6)
Net financial items	46	(53)	(347)	(16)

- **Odfjell Drilling:** the result of NOK 31 million includes cash interests of NOK 10 million, PIK interests of NOK 10 million and positive valuation effects on the warrant structure of NOK 10 million
- **DOF Deepwater and AKOFS Offshore:** the negative results represent 50% of the company's net loss

Cash flow and net debt position

Net debt bridge

NOK million



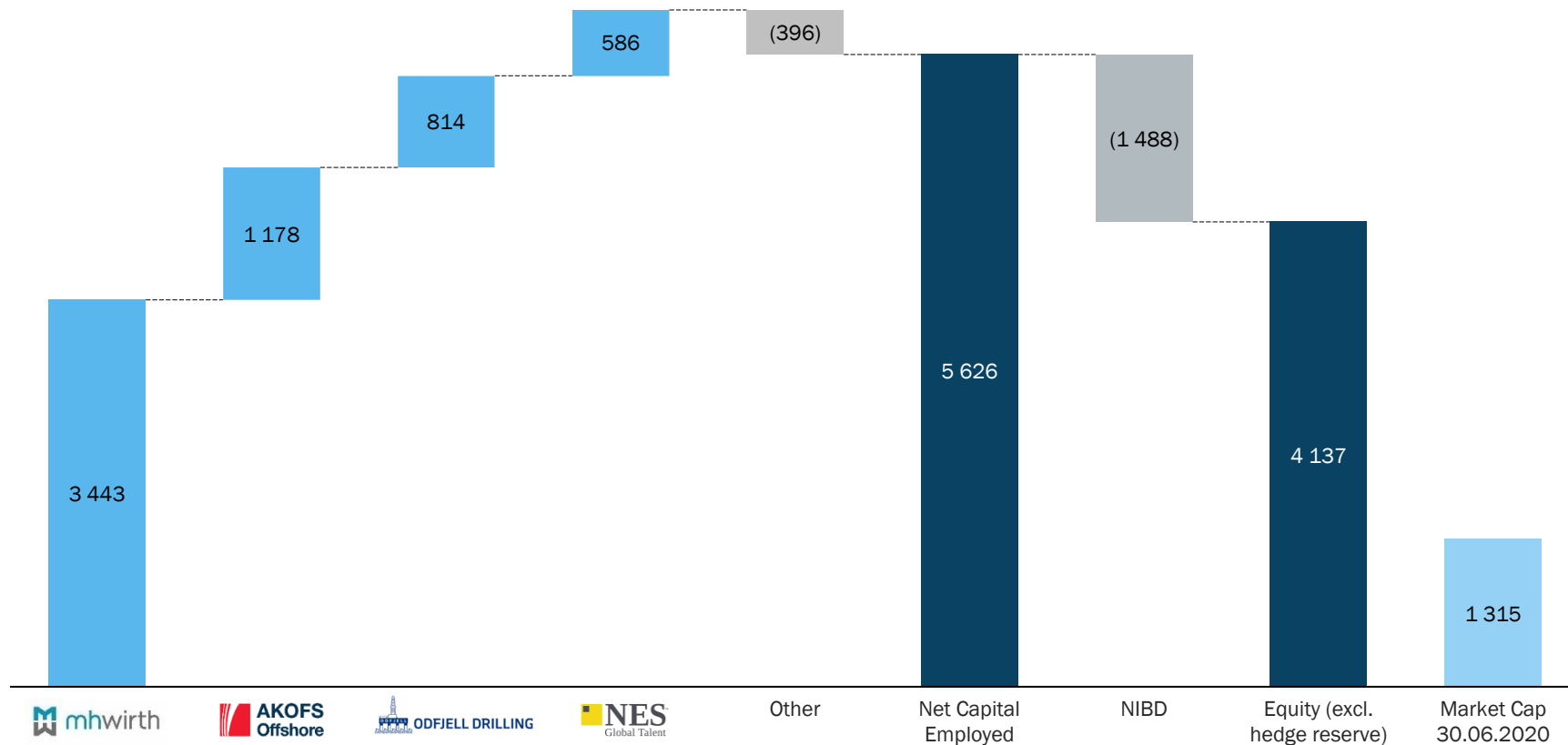
2Q 2020 highlights

- Net debt decreased by NOK 42 million in quarter, to NOK 1 595 million
- Net interest-bearing debt position increased by NOK 100 million to NOK 1 488 million, as a result of conversion of a portion of outstanding AKOFS receivables to equity
- “Other” includes non-cash FX effect related to strengthening of NOK versus USD, reducing net debt
- Liquidity reserve of NOK 1.3 billion per end of quarter

NOK million	2Q 2020
Non-current bank debt	1 642
Current bank debt	80
Non-recourse AGR debt	167
Cash and cash equivalents	(294)
Net debt	1 595
AKOFS receivable	(86)
Other receivables	(21)
Net interest-bearing debt (NIBD)	1 488

Net Capital Employed as per 2Q 2020

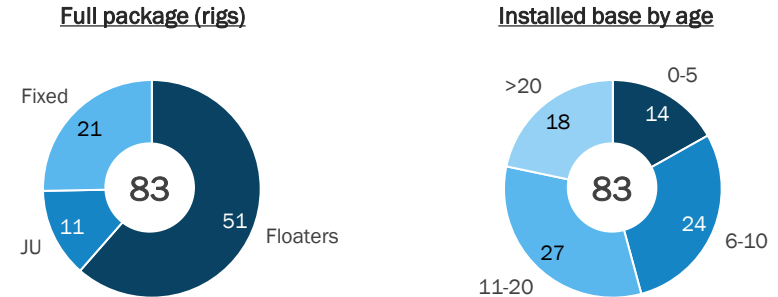
NOK million



Highlights 2Q 2020

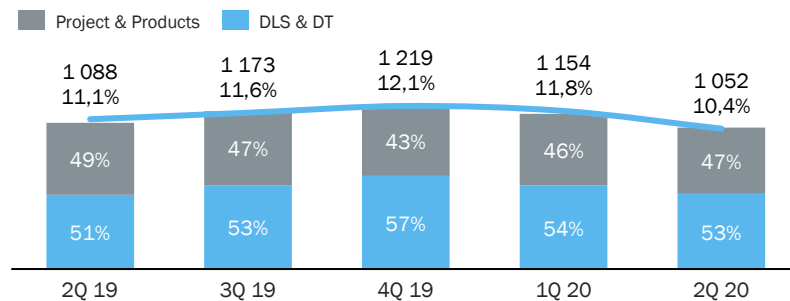
- Project & Products revenues were NOK 493 million, a decrease of 8% compared to last year
- DLS & DT revenues were NOK 559 million, an increase of 1% compared to last year
- EBITDA of NOK 110 million (10.4% margin)
- Order backlog and order intake for the second quarter amounted to NOK 2.4 billion and NOK 1.0 billion, respectively
- Strong focus on adjusting cost base in line with activity level

Installed base per 2Q 2020



Quarterly development in revenues and EBITDA margin

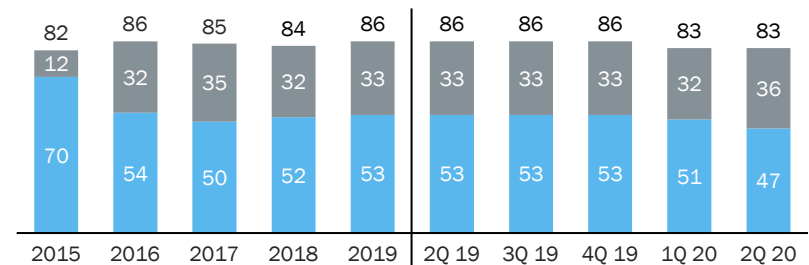
NOK million



EBITDA:












■ Inactive units ■ Active units



Highlights 2Q 2020

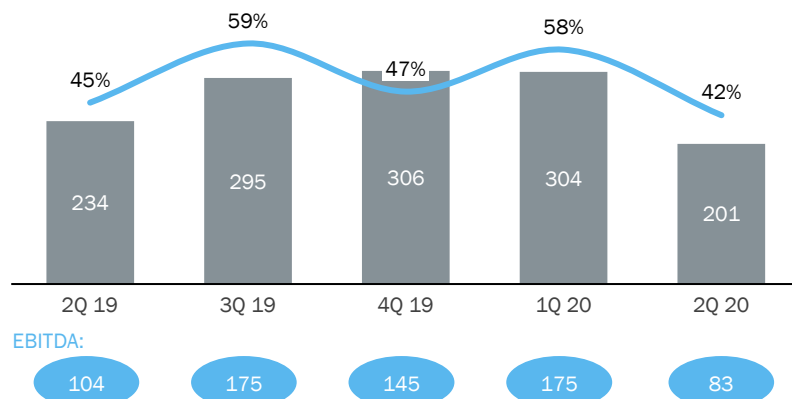
- Revenues and EBITDA of NOK 201 million and NOK 83 million, respectively
- Good revenue utilization for Skandi Santos
- 17 days of downtime for Wayfarer in June related to outbreak of COVID-19 onboard during the quarter
- AKOFS Seafarer is currently ongoing final preparations and testing ahead of the five-year contract with Equinor, with commencement expected in August

Fleet overview

Vessels	Loc.	2019	2020	2021	2022	2023	2024	2025
 AKOFS Seafarer								+3 years option
 Aker Wayfarer								5 years option
 Skandi Santos								

Quarterly development in revenues and EBITDA-margin¹⁾

NOK million



NES Global Talent

Recent development

- The impact of COVID-19 and the reduced oil price had a material impact on the company's activity level, through reduced number of contractors and price pressure
- Limited margin erosion demonstrating robustness of NES business model
- Strong focus on cash flow generation and NWC collection and solid operating cash flow YTD
- Akastor holds ~17% economic interest in NES

Award winning workforce solution specialist

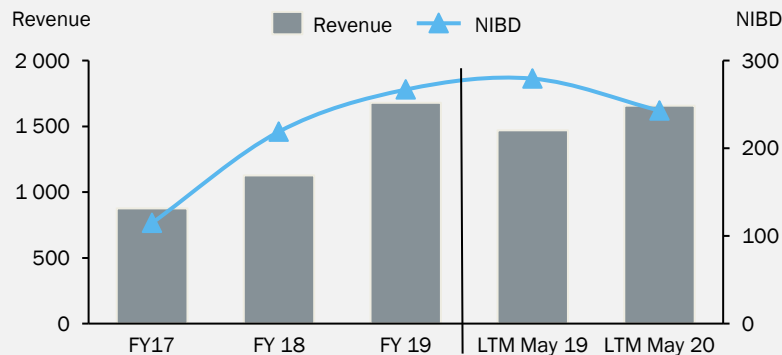
Global organization with local client touch-points through a network of ~50 global locations

Strategically located in most attractive specialist engineering markets

Database of 650,000+ engineer contractors



Financial development (USD million)¹⁾



[1] FY end 31st October



Contract Engineering

Search, placement and ongoing support of contract engineers

NES charges a margin on contractors salary



Managed Solutions

Outsourced, exclusive global recruitment services

NES' offering includes recruitment process outsourcing, global mobility and consultancy



Permanent Placement

Engineering positions filled on a permanent basis

Charge one-time fee of the engineer's annual salary

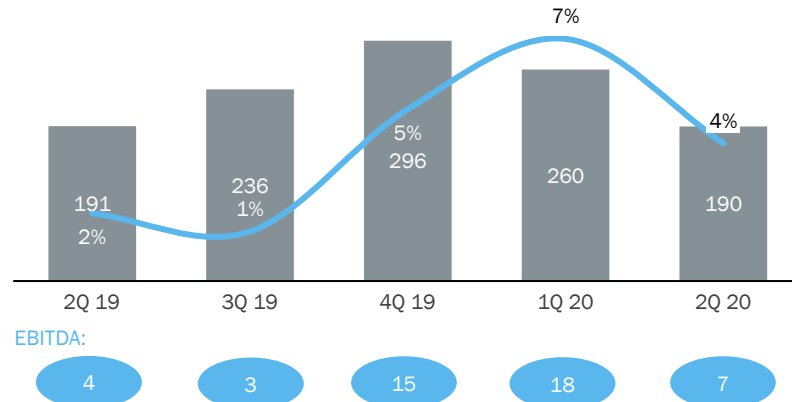
Other industrial holdings



Highlights 2Q 2020
























- Other industrial holdings reported pro-forma consolidated revenue and EBITDA of NOK 190 million and NOK 7 million, respectively
- AGR:** Revenues and EBITDA of NOK 157 million and NOK 5 million, respectively
- Cool Sorption:** Revenues and EBITDA of NOK 33 million and NOK 2 million, respectively

Quarterly development in revenues and EBITDA-margin¹⁾



Appendix

Transactions track-record since inception in 2014

<p>June 2019</p>  <p>100% acquisition of</p>  <p>USD 31.5m</p>	<p>April 2019</p>  <p>FIRSTGEO</p> <p>Merged for an economic interest stake of 55%</p> 	<p>September 2018</p>  <p>AKOFS Offshore</p> <p>50% sale to</p>  <p>MITSUBI & CO.</p> <p>USD 142.5m</p>	<p>April 2018</p>  <p>ODFJELL DRILLING</p> <p>Preferred equity investment</p> <p>USD 75m¹⁾</p>	<p>October 2018</p>  <p>AWILCO DRILLING</p> <p>~6% share purchase</p> <p>USD 10m</p>
<p>November 2017</p>  <p>Northern Drilling</p> <p>~3% share sale</p> <p>NOK 88m</p>	<p>June 2017</p>  <p>KOP</p> <p>100% sale to</p>  <p>WEHR</p> <p>USD 114m</p>	<p>March 2017</p>  <p>Northern Drilling</p> <p>~3% share purchase</p> <p>NOK 67m</p>	<p>December 2016</p>  <p>Frontica Advantage</p> <p>Merged for an initial equity stake of 15.2% in</p>  <p>NES Global Talent</p> <p>NOK 400m</p>	<p>October 2016</p>  <p>FJORDS PROCESSING</p> <p>100% sale to</p>  <p>NOR</p> <p>NOK 1,200m</p>
<p>October 2016</p>  <p>Frontica Business Solutions</p> <p>100% sale to</p>  <p>Cognizant</p> <p>NOK 1,025m</p>	<p>September 2016</p>  <p>Skandi Santos</p> <p>Joint acquisition with</p>  <p>MITSUBI & CO.</p> <p>USD 66m²⁾</p>	<p>October 2016</p>  <p>mpo</p> <p>100% sale to</p>  <p>AFGlobal</p> <p>USD 10m³⁾</p>	<p>November 2015</p> <p>Real Estate portfolio</p> <p>100% sale to</p>  <p>AKER</p> <p>NOK 1,243m</p>	

1) Pref shares USD 75m + warrants 2) cash gain 3) Plus earnout of max USD 65m

ODL preferred equity and warrant instrument



Preferred equity structure

Instrument description:

- 5% cash dividend + 5% PIK per annum (semi-annual payment)
- Call price: 125% year 2, 120% year 3, 115% year 4, 110% year 5, 105% year 6, 100% thereafter
- Cash dividend step-up: 8.0% p.a. from year 7 and an additional 1.0% step-up per year until a maximum cash dividend of 10.0% p.a.
- Commitment fee of USD 5.75 million paid in 2Q 2019
- Certain rights and covenants¹⁾ in favor of Akastor

Instrument payment profile:

USDm	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e
Cash Dividend	2.2	3.9	4.1	4.3	4.5	4.8	8.0	9.5	11.0
Acc. PIK	77.2	81.1	85.2	89.5	94.1	98.8	103.8	109.1	114.6
Call price incl. PIK		99.9	100.2	100.8	101.6	102.6	103.8	109.1	114.6
<i>Dividend</i>	5 %	5 %	5 %	5 %	5 %	5 %	8 %	9 %	10 %
<i>PIK interest</i>	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %
<i>Call price</i>	n.a.	125 %	120 %	115 %	110 %	105 %	100 %	100 %	100 %

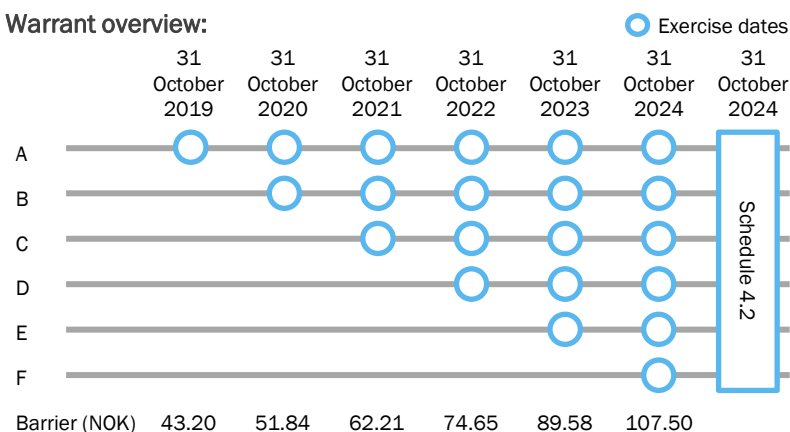
1) The agreement contain several covenants, including but not limited to an obligation not to pay dividends or other distributions exceeding 50% of the net profit from the preceding year (unless a similar portion of the preference capital is repaid prior to the distribution), and in any case not pay dividends or make distributions after year 6. Also the agreement includes a change of control covenant pertaining to restructurings with the effect that Odfjell Partner's shareholding falls below 25%

Warrant structure

Instrument description:

- The total warrant issue comprise six tranches with 987,500 warrants per tranche, amounting to a total 5,925,000 warrants. Furthermore, one warrant can be exercised for one share (1-to-1 ratio) for a price of USD 0.01 per share. Maximum number of share allocation if share price in ODL has increased with 20% p.a.

Warrant overview:



- Schedule 4.2: If any warrants remain unexercised at the ultimate exercise date in 2024, the holder will receive a number of shares determined linearly according to:

$$\text{Remaining warrants} \times \frac{\text{Max}[(\text{Share price @ 31 May 2024}) - 36]}{(107.5 - 36)}$$

Key figures

AKASTOR GROUP

NOK million	2Q 19	3Q 19	4Q 19	1Q 20	2Q 20	YTD 2020
Revenue and other income	1 304	1 430	1 557	1 424	1 254	2 677
EBITDA	114	133	153	137	70	208
EBIT	27	76	88	71	2	73
CAPEX and R&D capitalization	23	22	66	19	17	36
NCOA	875	1 010	611	1 135	1 114	1 114
Net capital employed	5 234	5 560	5 085	5 798	5 626	5 626
Order intake	1 786	1 149	1 168	1 137	1 165	2 302
Order backlog	3 529	3 274	3 166	3 005	2 838	2 838
Employees	2 179	2 239	2 272	2 269	2 112	2 112

Split per Company (1 of 4)

MHWIRTH

NOK million	2Q 19	3Q 19	4Q 19	1Q 20	2Q 20	YTD 2020
Revenue and other income	1 088	1 173	1 219	1 154	1 052	2 206
EBITDA	121	136	148	136	110	245
EBIT	57	93	98	82	53	135
CAPEX and R&D capitalization	21	20	64	16	14	30
NCOA	1 216	1 141	736	1 268	1 275	1 275
Net capital employed	3 206	3 224	2 908	3 613	3 443	3 443
Order intake	1 662	979	848	931	1 037	1 968
Order backlog	3 152	2 991	2 582	2 476	2 384	2 384
Employees	1 761	1 771	1 766	1 807	1 690	1 690

Note: Step Oiltools is consolidated as part of MHWirth from 1Q 2020, historical figures have been restated

Split per Company (2 of 4)

AKOFS OFFSHORE ¹⁾

NOK million	2Q 19	3Q 19	4Q 19	1Q 20	2Q 20	YTD 2020
Revenue and other income	234	295	306	304	201	505
EBITDA	104	175	145	175	83	259
EBIT	24	94	64	94	1	96
CAPEX and R&D capitalization	110	130	234	71	90	162
NCOA	138	104	49	205	166	166
Net capital employed	3 520	3 675	3 734	4 190	4 083	4 083
Order intake	-	-	-	177	-	177
Order backlog	5 579	5 375	5 013	5 203	4 783	4 783
Employees	240	267	311	297	299	299

¹⁾ Figures presented on a 100% basis. Akastor's share of net profit from the joint venture is presented as part of "net financial items"

Split per Company (3 of 4)

AGR

NOK million	2Q 19	3Q 19	4Q 19	1Q 20	2Q 20	YTD 2020
Revenue and other income	156	167	221	217	157	374
EBITDA	(1)	1	12	17	5	23
EBIT	(7)	(4)	7	13	1	15
CAPEX and R&D capitalization	2	2	2	2	2	5
NCOA	-	10	12	9	(7)	(7)
Net capital employed	153	161	170	171	152	152
Order intake	81	82	254	196	91	287
Order backlog	260	175	502	481	415	415
Employees	350	402	438	389	362	362

Note: Financial figures before 2Q 2019 included First Geo only.

Split per Company (4 of 4)

OTHER HOLDINGS

NOK million	2Q 19	3Q 19	4Q 19	1Q 20	2Q 20	YTD 2020
Revenue and other income	68	100	96	53	47	100
EBITDA	(6)	(5)	(7)	(16)	(45)	(60)
EBIT	(24)	(13)	(17)	(24)	(53)	(77)
CAPEX and R&D capitalization	-	-	-	-	-	1
NCOA	(342)	(142)	(137)	(142)	(154)	(154)
Net capital employed	833	1 115	957	910	852	852
Order intake	43	88	66	10	37	47
Order backlog	116	108	82	48	38	38
Employees	68	66	68	73	60	60

Note: Other holdings has been restated to exclude Step Oiltools which is consolidated into MHWirth

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