

Akastor ASA

# Second Quarter Results 2021



AKASTOR

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

Fornebu | 15 July 2021

# Presenters and agenda



**Karl Erik Kjelstad**  
Chief Executive Officer

Portfolio highlights



**Øyvind Paaske**  
Chief Financial Officer




Financial update

Q&A session





# Portfolio 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% <sup>1)</sup>
	Supplier of vapour recovery technology, systems and services to O&G installations	100%

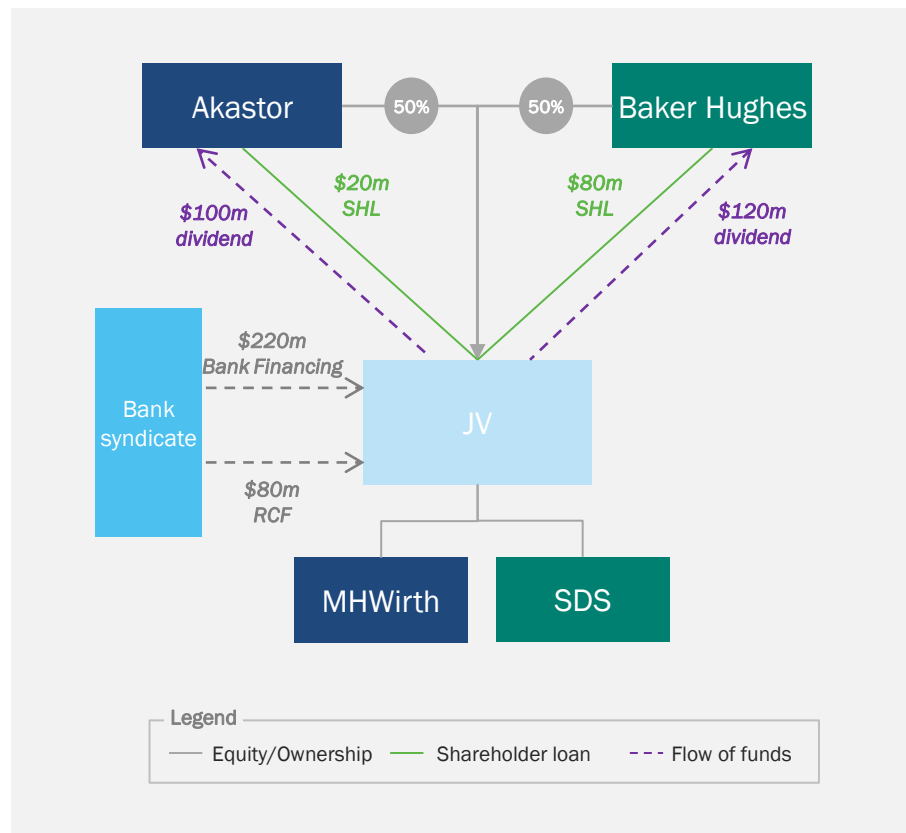
## Financial investments

	Global manpower specialist within Oil & Gas, ICT, Renewables, Chemicals, Mining, Life Sciences, Automotive and Construction sectors	~ 15% <sup>2)</sup>
	International drilling, well service and engineering company	USD 75m preferred equity
	Company owning 5 mid-sized AHTS vessels	100%
	North Sea Drilling Contractor	5.6%

1) Economic interest | 100% legal ownership  
2) Economic interest

# Joint venture between Akastor and Baker Hughes on track

- Comprehensive integration planning work with close to 1 000 actions to be completed prior to closing
- Ongoing verification of potential synergies including development of detailed plans for realization
- Competition filings close to be completed
- Documentation regarding new financing agreements for both the joint venture and Akastor ongoing and on track
- Closing of transaction expected to take place in the second half of 2021



# Portfolio Highlights 2Q 2021 (1 of 2)

## Drilling equipment

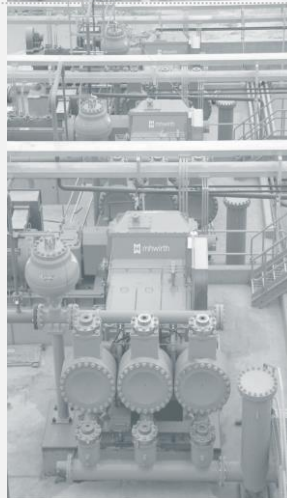
### Projects

- Cont. low activity in quarter as a result of phase of ongoing projects
- Keppel FELS unit #2 re-activated in period
- Continued negotiations re. drilling equipment package to to Guangzhou Marine Geological Survey (GMGS) awarded to MHWirth in December last year. Contract now expected to be signed in 3Q (project not included as order intake in 2Q)
- Newbuild market continues to be muted and is expected to remain challenging going forward



### Products

- Good order intake in quarter, driven by the non-oil segment
- Low revenue in quarter as a result of low backlog per start of period
- Increased activity expected in second half of the year, driven by order intake and opportunities in non-oil markets, both for slurry pumps and PBA's (pile top drillers for construction)
- Offshore market continue to be affected by low investment levels among clients



## Lifecycle services, spares and components

### DLS

- 48 active rigs in quarter, up from 45 per 1Q. Further grow expected in H2 based on contract schedule of fleet
- Scrapping of four Seadrill units confirmed in Q2. Units were cold stacked, and thus no direct effect for MHWirth.
- Increased activity in quarter, driven by offshore segment



### Digital Technology

- Continued high activity in quarter, with delivery of several new systems
- One DEAL system and three CADs system (Configurable Automatic Drilling System) delivered in 2Q
- Backlog consists of six control system upgrades, one DEAL system and one CADs system, as well as several smaller development projects
- Continued good dialogue with clients regarding new developments, including customer funded projects



# Portfolio Highlights 2Q 2021 (2 of 2)

Other industrial holdings



- Aker Wayfarer affected by a COVID-19 outbreak onboard, resulting in 13 days of downtime and 85% revenue utilization in quarter
- Skandi Santos continues to deliver very high uptime with revenue utilization of 100% also in second quarter. Ongoing tender process with Petrobras for a new 3-year contract, process expected to be clarified during second half of this year.
- AKOFS Seafarer with revenue utilization of 94% in quarter, delivering solid operations in period
- Revenues of NOK 341 million, EBITDA of NOK 120 million (100% basis)







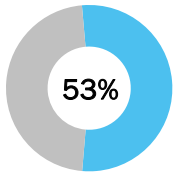
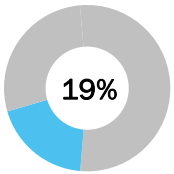
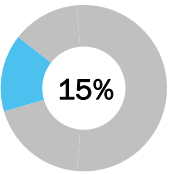
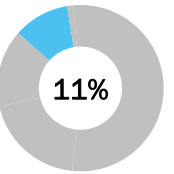
- **AGR** – Continued high activity, primarily within Consultancy in Norway. Revenues and EBITDA in quarter of NOK 178 million and NOK 8 million, respectively. AGR acquired Rig Scheduling Software “RIG” from Deloitte Digital.
- **Cool Sorption** – Increased activity compared to last quarter. Book-to-bill of 1.4x in period.

Financial holdings



- **Odfjell Drilling** – Continued positive share price development. Extension of bank facilities secured in period.
- **NES Fircroft** – Solid growth in number of contractors through period
- **DDW Offshore** – Bareboat charter agreements for two vessels to OceanPact commenced in quarter. One other vessel on shorter contract per end of 2Q.

# Key value drivers for our main portfolio assets

			
<p>NCE per 2Q 2021: NOK 2760m</p>  <p>53%</p>	<p>NCE per 2Q 2021: NOK 1002m</p>  <p>19%</p>	<p>NCE per 2Q 2021: NOK 789m</p>  <p>15%</p>	<p>NCE per 2Q 2021: NOK 589m</p>  <p>11%</p>
<p><b>Ownership agenda:</b></p> <ul style="list-style-type: none"> <li>Buy-and-build strategy with targeted IPO</li> </ul>	<p><b>Ownership agenda:</b></p> <ul style="list-style-type: none"> <li>Secure order backlog and explore strategic initiatives</li> </ul>	<p><b>Ownership agenda:</b></p> <ul style="list-style-type: none"> <li>Maximize return on instrument (preferred equity + warrants)</li> </ul>	<p><b>Ownership agenda:</b></p> <ul style="list-style-type: none"> <li>Continue to grow the company organically and through M&amp;A to maximize value at exit</li> </ul>
<p><b>Key value drivers:</b></p> <ul style="list-style-type: none"> <li>Reactivation of stacked rigs driving service and product revenue</li> <li>Increased focus on digital and automation solutions driving sale of new products and services</li> <li>Successful integration and synergy realization of JV</li> </ul>	<p><b>Key value drivers:</b></p> <ul style="list-style-type: none"> <li>Secure high revenue utilization on all vessels</li> <li>Increased LWI activity (P&amp;A, XT installations, and intervention operations)</li> <li>Opportunistic growth opportunities</li> </ul>	<p><b>Key value drivers:</b></p> <ul style="list-style-type: none"> <li><i>Preferred payments:</i> continued strong order backlog and modest leverage</li> <li><i>Warrants:</i> improved rig fundamentals</li> </ul>	<p><b>Key value drivers:</b></p> <ul style="list-style-type: none"> <li>Demand for specialized contractors in industries such as Oil &amp; Gas, Life Sciences and Power &amp; Renewables</li> </ul>



# Illustrative roadmap for realizing our investments and capital allocation priorities

## FINANCIAL INVESTMENTS



ODFJELL DRILLING



## STRUCTURAL SOLUTIONS / M&A



## SEPARATE LISTING



DEBT REPAYMENT

DISTRIBUTION TO SHAREHOLDERS (CASH OR SHARES)

# Financial update

# Financial highlights 2Q 2021

NOK million	2Q 21	2Q 20	YTD FY21	YTD FY20
Revenue and other income	275	202	477	472
<b>EBITDA</b>	<b>45</b>	<b>-39</b>	<b>25</b>	<b>-38</b>
<b>EBIT</b>	<b>26</b>	<b>-51</b>	<b>-11</b>	<b>-62</b>
Net financials	12	36	-16	-359
<b>Profit (loss) before tax</b>	<b>39</b>	<b>-15</b>	<b>-27</b>	<b>-421</b>
Tax income (expense)	-0	-16	0	38
<b>Profit (loss) from continuing operations</b>	<b>38</b>	<b>-31</b>	<b>-27</b>	<b>-383</b>
Net profit (loss) from disc. operations	-9	46	-48	-8
<b>Profit (loss) for the period</b>	<b>30</b>	<b>16</b>	<b>-75</b>	<b>-391</b>
Order intake	1 129	1 165	2 078	2 302
Order backlog	2 741	2 838	2 741	2 838
NCOA	612	1 114	612	1 114
Net Capital Employed	5 234	5 626	5 234	5 626

## 2Q 2021 highlights

- Following announced agreement to combine MHWirth with Baker Hughes SDS, MHWirth is presented as discontinued operations in the income statement
- Revenue and other income increase of 36 percent year-on-year, driven by gain from finance lease agreements in DDW Offshore and increased activity in AGR
- EBITDA NOK 45 million in quarter
- Net financial items of NOK 12 million, including non-cash items from financial investments of NOK 22 million
- Order intake, backlog and Net Current Operating Assets (NCOA) include MHWirth
- NCOA continues to be significantly lower than last year, driven by project activity in MHWirth

Note: MHWirth is presented as discontinued operations in the income statement from 1Q 2021, with comparable figures having been restated

# Key financials reconciliation

Revenue (NOK million)	2Q 2021	2Q 2020	YTD 2021	YTD 2020
AGR	178	157	355	374
Cool Sorption	21	33	33	76
Other	75	14	88	24
<b>Reported Group revenue</b>	<b>275</b>	<b>202</b>	<b>477</b>	<b>472</b>
MHWirth	685	1 052	1 276	2 206
AKOFS Offshore (100%)	341	201	611	505

EBITDA (NOK million)	2Q 2021	2Q 2020	YTD 2021	YTD 2020
AGR	8	5	19	23
Cool Sorption	1	2	-1	3
Other	35	-47	7	-63
<b>Reported Group EBITDA</b>	<b>45</b>	<b>-39</b>	<b>25</b>	<b>-38</b>
MHWirth	51	110	63	245
AKOFS Offshore (100%)	120	83	162	259

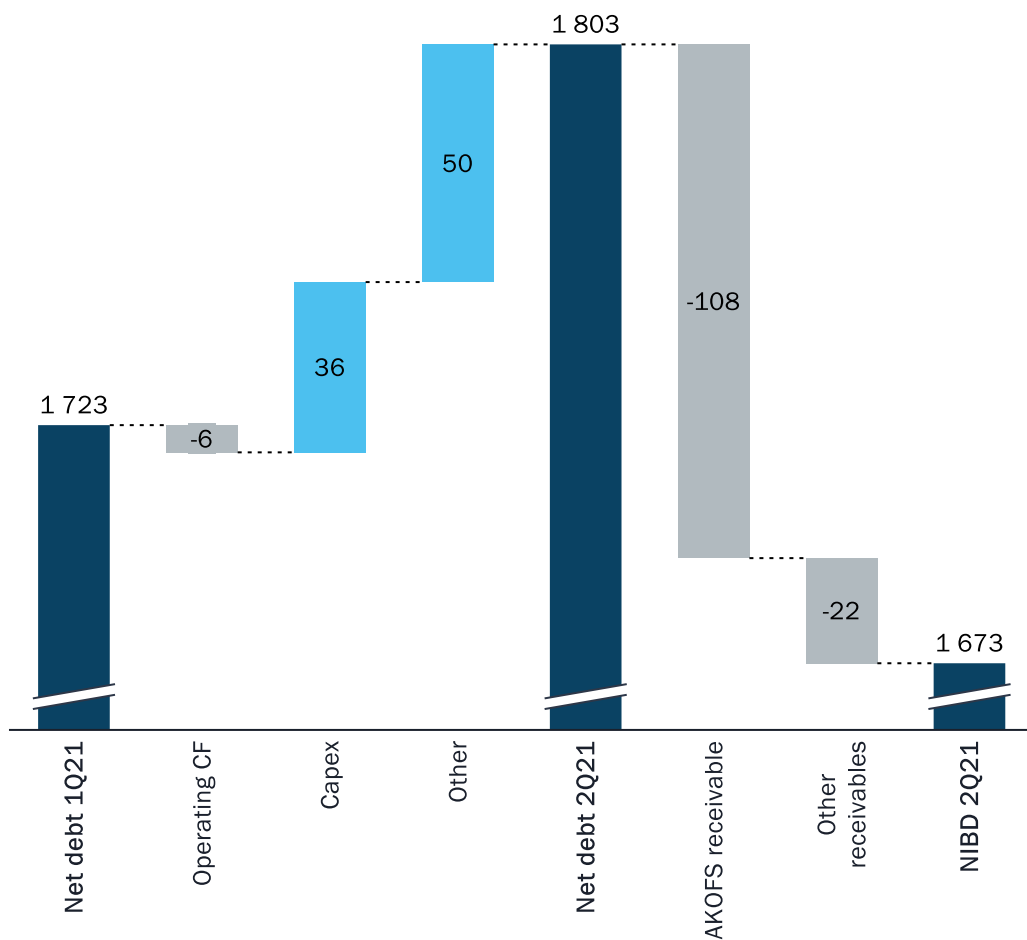
Net financial items (NOK million)	2Q 2021	2Q 2020	YTD 2021	YTD 2020
Odfjell Drilling	34	31	67	-21
Awilco Drilling	-2	-4	-3	-36
NES Global Talent	19	17	42	-87
DDW Offshore	0	-4	0	-75
AKOFS Offshore	-19	-23	-77	-19
<b>Contribution from financial investments</b>	<b>31</b>	<b>16</b>	<b>29</b>	<b>-239</b>
Net interest exp. on external borrowings	-24	-13	-46	-29
Net interest exp. on lease liabilities	-1	-3	-3	-6
Net foreign exchange gain (loss)	13	43	18	-75
Other financial income (expenses)	-7	-7	-14	-11
<b>Net financial items</b>	<b>12</b>	<b>36</b>	<b>-16</b>	<b>-359</b>

- **Odfjell Drilling:** result of NOK 34 million includes cash interests of NOK 9 million, PIK interests of NOK 9 million and positive valuation effects on the warrant structure of NOK 11 million
- **AKOFS Offshore:** negative result represents 50% of the company's net loss in period
- **DDW Offshore:** No longer booked as financial investment following consolidation in 4Q 2020

# Cash flow and net debt position

## Net debt bridge

NOK million



## 2Q 2021 highlights

- Net debt increased by NOK 80 million in quarter, to NOK 1 803 million
- DDW Offshore net debt of NOK 415 million per end of quarter
- “Other” includes lease payments, currency effects and payment of deferred settlement obligations related to AKOFS Seafarer
- Liquidity reserve of NOK 1.4 billion per end of quarter

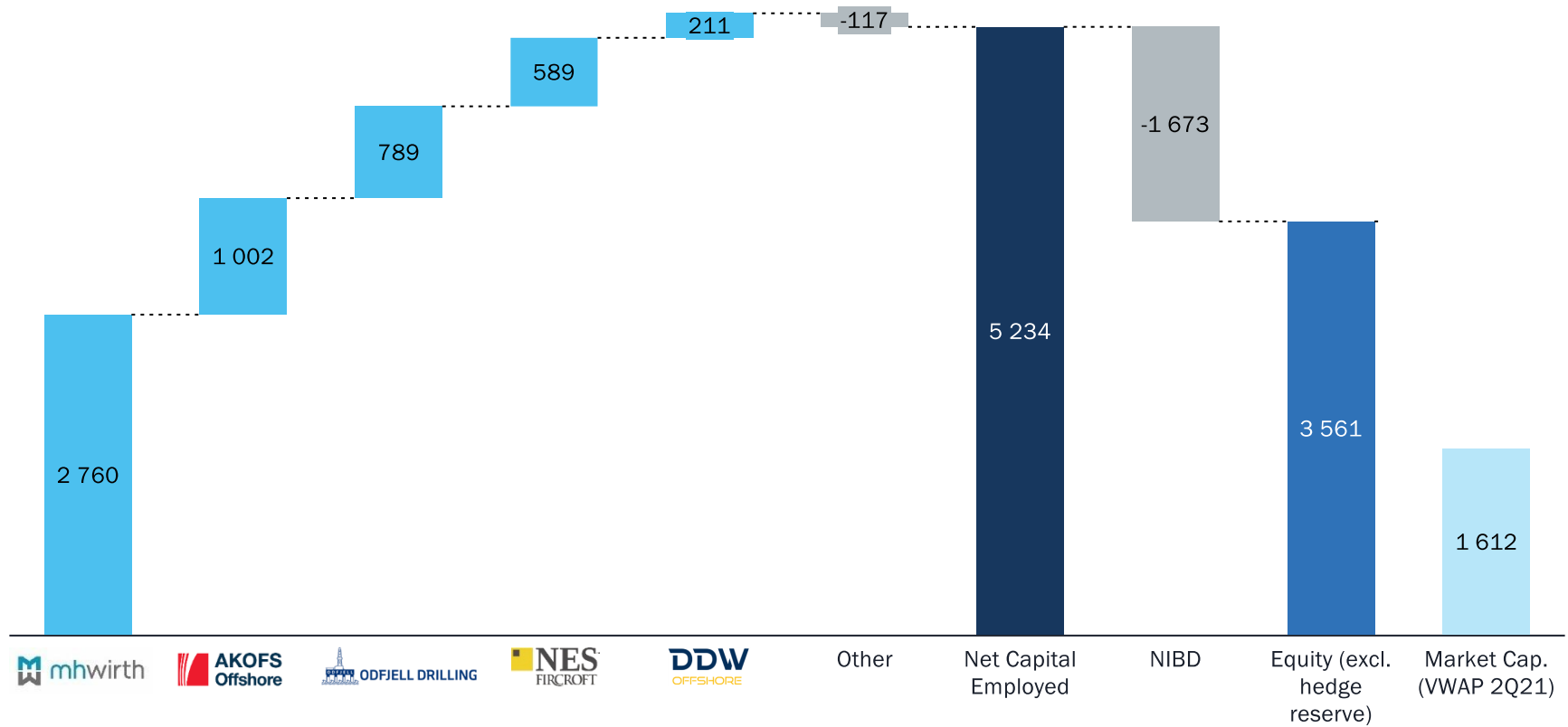
NOK million

2Q 2021

Non-current bank debt	450
Current bank debt	1 431
Non-recourse AGR debt	179
Cash and cash equivalents	-258
<b>Net debt</b>	<b>1 803</b>
AKOFS receivable	-108
Other receivables	-22
<b>Net interest-bearing debt (NIBD)</b>	<b>1 673</b>

# Net Capital Employed as per 2Q 2021

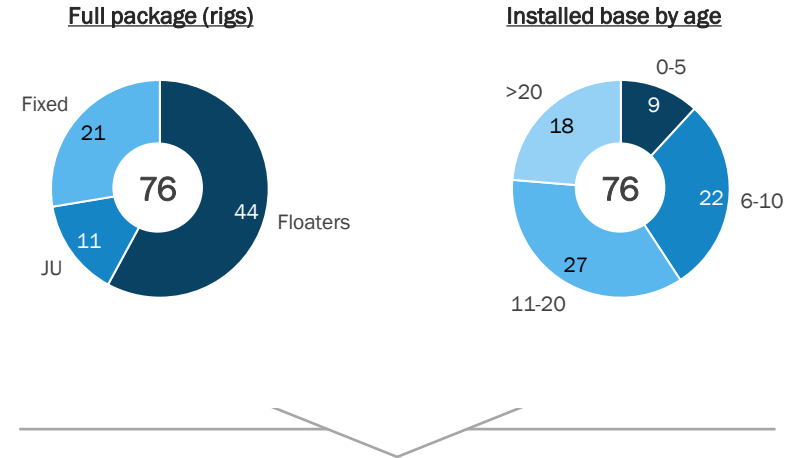
NOK million



## Highlights 2Q 2021

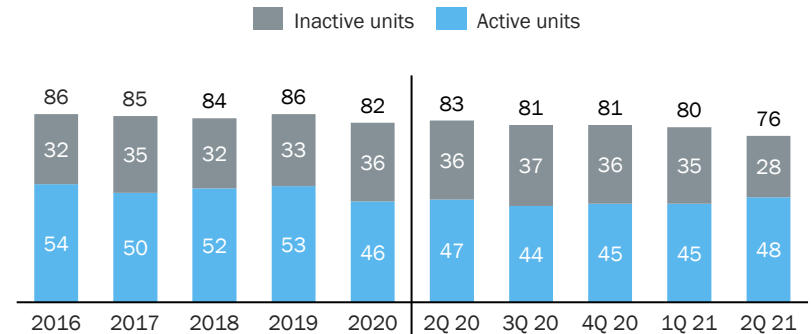
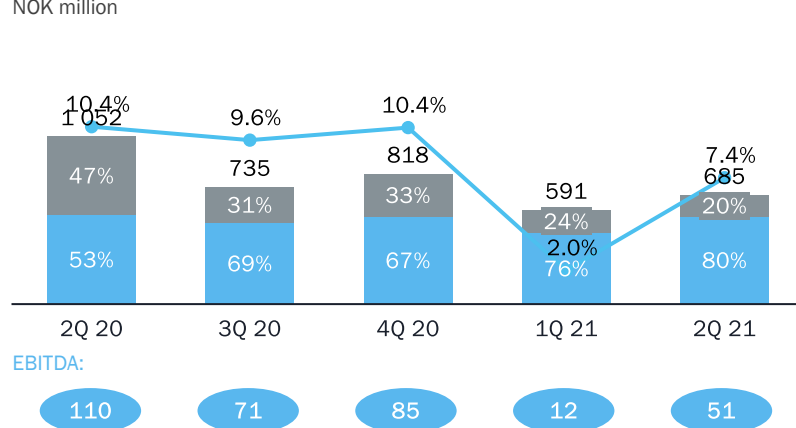
- Project & Products revenues were NOK 134 million, a decrease of 73% compared to last year
- DLS & DT revenues were NOK 551 million, a decrease of 2% compared to last year
- EBITDA of NOK 51 million, giving a margin of 7.4%. Margin still affected by relatively low revenue in period.
- Order intake for the period amounted NOK 0.9 billion, a book-to-bill of 1.4x in quarter, giving a total order backlog of NOK 2.2 billion per end of 2Q

## Installed base per 2Q 2021



## Quarterly development in revenues and EBITDA margin

NOK million





## Highlights 2Q 2021

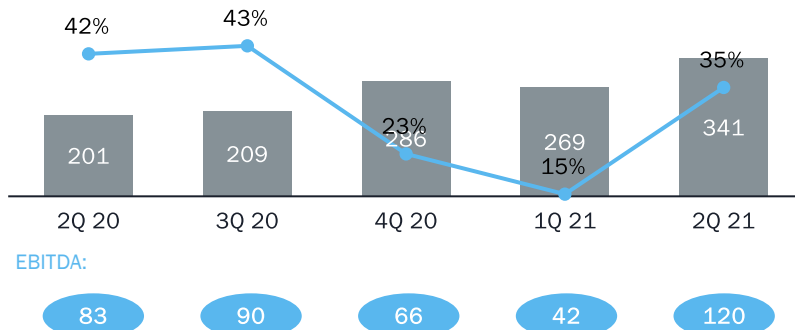
- Revenues and EBITDA of NOK 341 million and NOK 120 million, respectively
- Revenue utilization for Aker Wayfarer 85% in quarter, explained by a COVID-19 outbreak resulting in 13 days of downtime in period
- Skandi Santos with 100% revenue utilization in quarter
- AKOFS Seafarer with 94% revenue utilization in quarter

## 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-margin<sup>1)</sup>

NOK million



1) Figures presented on 100% basis



## Recent development

- Continued increase in activity and uptick in number of contractors seen in the quarter
- LTM pro-forma revenues per May 2021 around 30% lower than one year ago, however with continued good momentum in business and increasing revenue run-rate
- Slight increase in net debt seen over last months driven by NWC movement as a result of higher activity in the business
- Akastor holds ~15% economic interest in the combined NES Fircroft

## Award winning workforce solution specialist

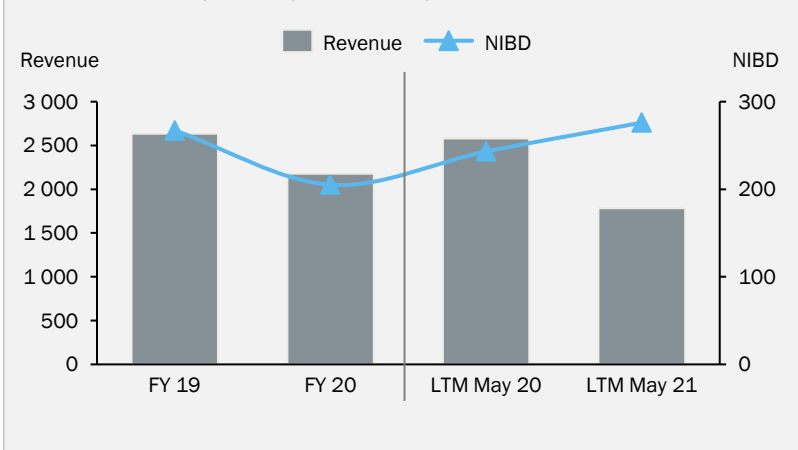
Global organization with local client touch-points through a network of ~45 global locations

Strategically located in most attractive specialist engineering markets

Database of 650,000+ engineer contractors



Financial development (USD million)<sup>1)</sup>



**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

<sup>1)</sup> FY end 31st October. Figures presented on 100% basis. Revenue figures in graph pro-forma adjusted to include Fircroft

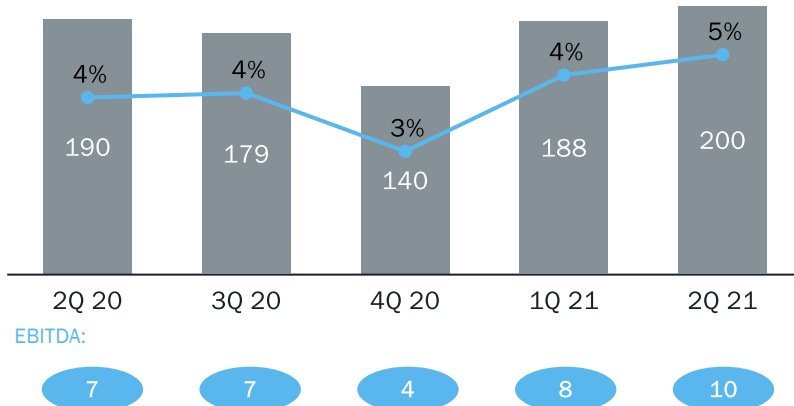
# Other industrial holdings



## Highlights 2Q 2021

- Other industrial holdings reported pro-forma consolidated revenue and EBITDA of NOK 200 million and NOK 10 million, respectively
- AGR:** Revenues and EBITDA of NOK 178 million and NOK 8 million, respectively
- Cool Sorption:** Revenues and EBITDA of NOK 21 million and NOK 1 million, respectively


























Quarterly development in revenues and EBITDA-margin<sup>1)</sup>



1) Figures for Other industrial holdings include AGR and Cool Sorption

# Appendix

# Selected transactions since inception in 2014

<p>March 2021</p>  <p><b>Baker Hughes</b> </p> <p>Subsea Drilling Systems</p> <p>50% JV between MHWirth and Baker Hughes' SDS division</p>	<p>October 2020</p>  <p>Restructuring and 50% acquisition of shares from DOF ASA</p>	<p>September 2020</p>  <p>Merger with</p> 	<p>June 2019</p>  <p>100% acquisition of</p>  <p>USD 31.5m</p>	<p>April 2019</p>  <p>Merged for an economic interest stake of 55%</p> 
<p>September 2018</p>  <p>50% sale to</p>  <p>USD 142.5m</p>	<p>April 2018</p>  <p>Preferred equity investment</p> <p>USD 75m<sup>1)</sup></p>	<p>June 2017</p>  <p>100% sale to</p>  <p>USD 114m</p>	<p>December 2016</p>  <p>Merged for an initial equity stake of 15.2% in</p>  <p>NOK 400m</p>	<p>October 2016</p>  <p>100% sale to</p>  <p>NOK 1,200m</p>
<p>October 2016</p>  <p>100% sale to</p>  <p>NOK 1,025m</p>	<p>September 2016</p>  <p>Joint acquisition with</p>  <p>USD 66m<sup>2)</sup></p>	<p>October 2016</p>  <p>100% sale to</p>  <p>USD 10m<sup>3)</sup></p>	<p>November 2015</p> <p>Real Estate portfolio</p> <p>100% sale to</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 covenants<sup>1)</sup> 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%	8%	9%	10%
<i>PIK interest</i>		5%	5%	5%	5%	5%	5%	5%	5%
<i>Call price</i>		n.a.	125%	120%	115%	110%	105%	100%	100%

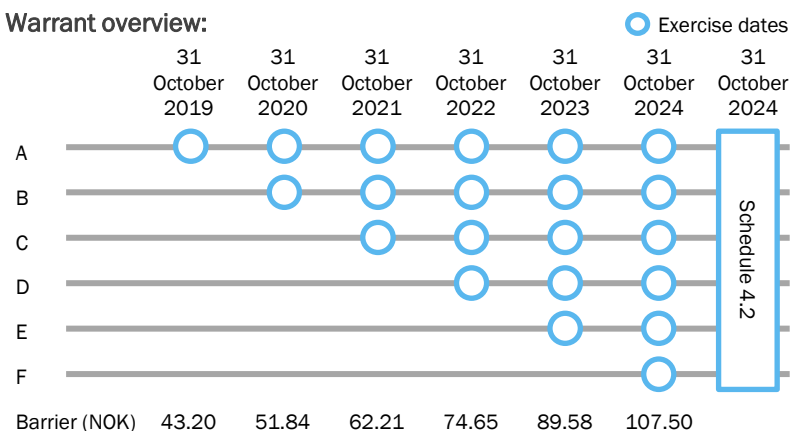
1) The agreement contain several covenants, including but not limited to an obligation not to pay dividends or other distributions exceeding 50% of the net profit from the preceding year (unless a similar portion of the preference capital is repaid prior to the distribution), and in any case not pay 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 (continuing operations)

NOK million	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	YTD 2021
Revenue and other income	202	192	155	201	275	477
EBITDA	-39	-5	-28	-19	45	25
EBIT	-51	-17	-53	-37	26	-11
CAPEX and R&D capitalization	17	46	23	5	35	41
NCOA	1 114	1 031	527	617	612	612
Net capital employed	5 626	5 529	5 002	5 095	5 234	5 234
Order intake	1 165	643	844	949	1 129	2 078
Order backlog	2 838	2 540	2 375	2 523	2 741	2 741
Employees	2 113	1 939	1 947	2 013	1 988	1 988

Note: MHWirth is presented as discontinued operations from 1Q 2021, historical figures have been restated

# Split per Company (1 of 4)

## MHWIRTH

NOK million	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	YTD 2021
Revenue and other income	1 052	735	818	591	685	1 276
EBITDA	110	71	85	12	51	63
EBIT	53	20	30	-32	6	-26
CAPEX and R&D capitalization	14	44	20	2	10	12
NCOA	1 275	1 175	692	712	702	702
Net capital employed	3 443	3 333	2 801	2 766	2 760	2 760
Order intake	1 037	504	556	736	942	1 678
Order backlog	2 384	2 140	1 849	1 987	2 243	2 243
Employees	1 691	1 587	1 581	1 568	1 533	1 533

# Split per Company (2 of 4)

## AKOFS OFFSHORE <sup>1)</sup>

NOK million	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	YTD 2021
Revenue and other income	201	209	286	269	341	611
EBITDA	83	90	66	42	120	162
EBIT	1	13	-243	-43	36	-7
CAPEX and R&D capitalization	90	24	27	59	11	71
NCOA	166	346	344	294	269	269
Net capital employed	4 083	4 199	3 744	3 726	3 580	3 580
Order intake	0	0	89	0	0	0
Order backlog	4 783	4 514	3 827	3 576	3 258	3 258
Employees	299	301	294	297	296	296

<sup>1)</sup> 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 20	3Q 20	4Q 20	1Q 21	2Q 21	YTD 2021
Revenue and other income	157	125	138	177	178	355
EBITDA	5	4	4	10	8	19
EBIT	1	1	-2	7	4	11
CAPEX and R&D capitalization	2	2	3	3	6	9
NCOA	-7	-12	-7	-4	-6	-6
Net capital employed	152	147	148	151	173	173
Order intake	91	73	258	194	132	326
Order backlog	415	362	483	500	454	454
Employees	362	297	319	399	410	410

# Split per Company (4 of 4)

## OTHER HOLDINGS

NOK million	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	YTD 2021
Revenue and other income	47	67	19	24	97	121
EBITDA	-45	-10	-32	-30	36	7
EBIT	-53	-18	-50	-44	22	-22
CAPEX and R&D capitalization	0	0	0	0	20	20
NCOA	-154	-131	-158	-91	-84	-84
Net capital employed	852	876	990	1 142	1 300	1 300
Order intake	37	65	30	18	55	74
Order backlog	38	38	43	36	44	44
Employees	60	55	47	46	45	45

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