

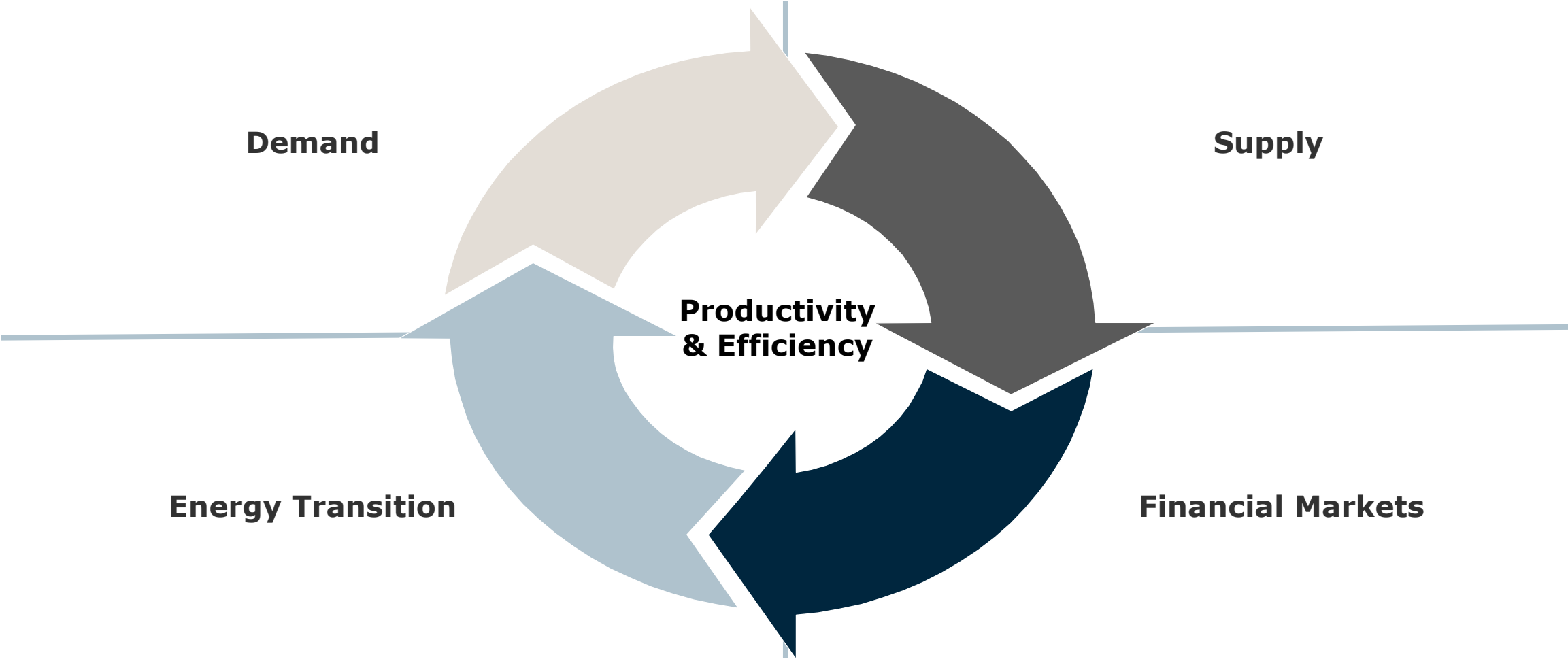


Oil and Gas Market Outlook

PESA 2020 Supply Chain Conference

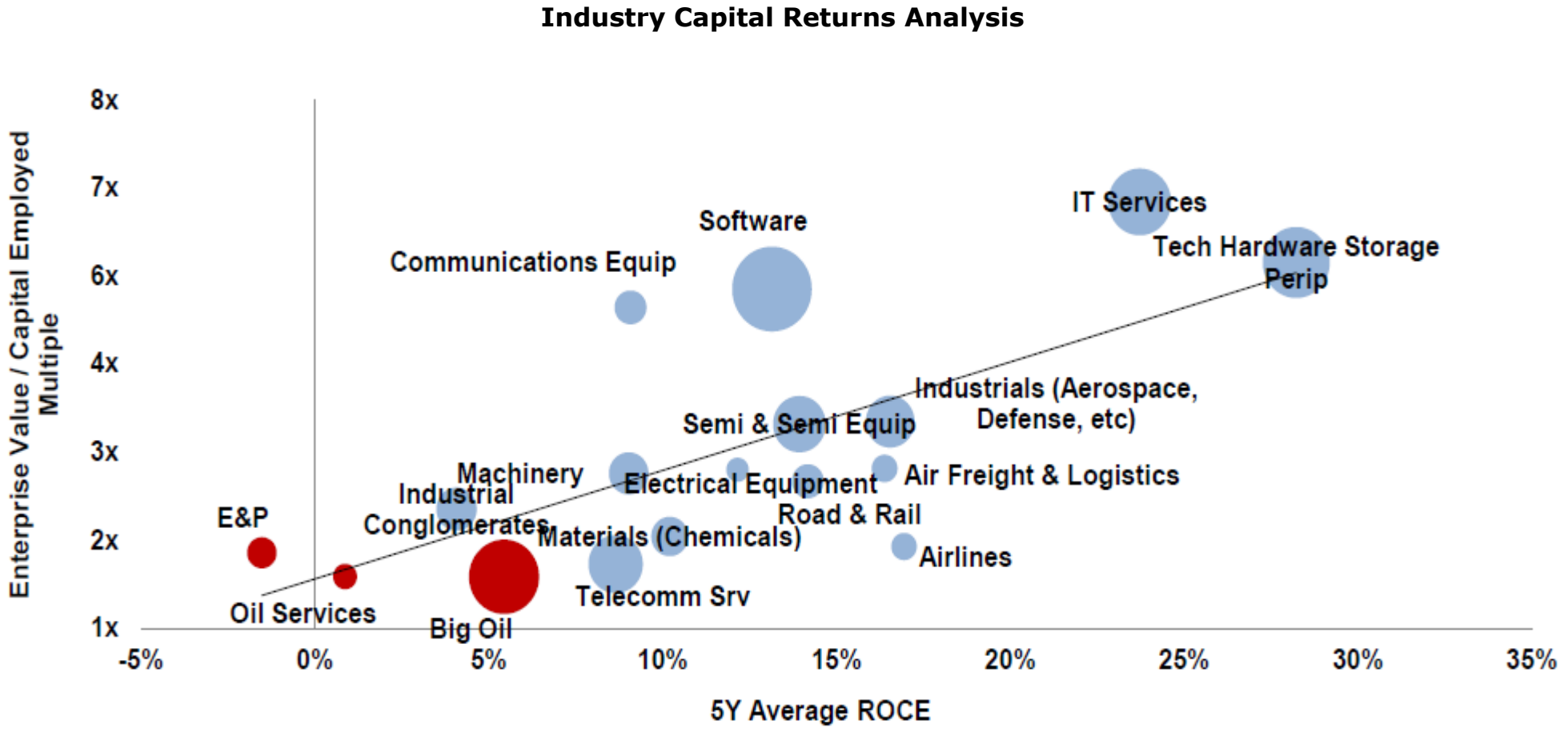
Macro Environment

Slower demand growth, abundant supply and uncertainty are driving a focus on productivity and returns



Industry Capital Returns

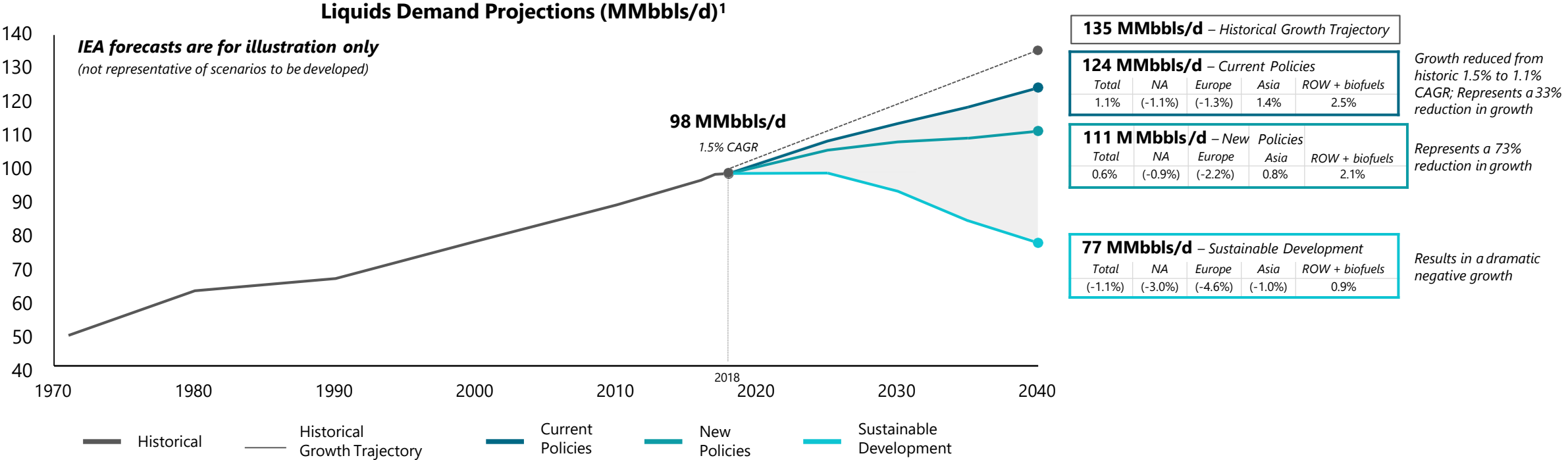
S&P Energy returns on capital employed (ROCE) for the industry have declined significantly for the last decade



Source: Evercore 2020 Oil Field Services Market Outlook
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Forecasts of Liquids Demand

In contrast to the predictable growth over the past 50 years, there is increasing uncertainty in liquids demand forecasts



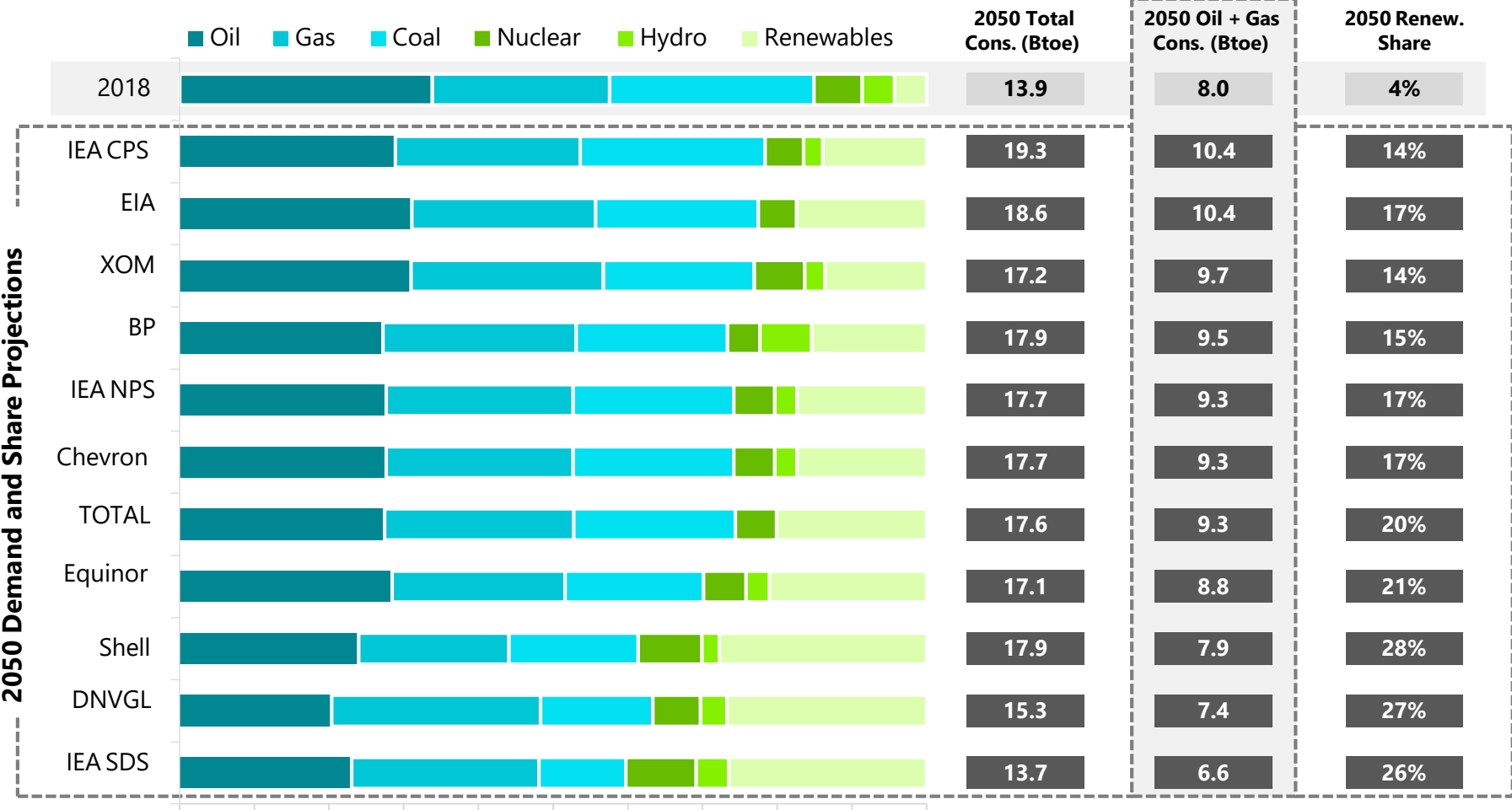
Driving Forces and Critical Uncertainties

<p>Economic</p> <p>Economic growth, Energy intensity, CO2 costs</p>	<p>Technology</p> <p>Renewable energy growth, Mass storage, Future of mobility</p>	<p>Geopolitics</p> <p>Oil supply controls, Political dislocation, Unrest, Protectionism</p>	<p>Sustainability</p> <p>Impact of climate change, Pollution management, Water availability, Regulation</p>	<p>Society</p> <p>Consumer awareness, Adoption of renewables, Sustainable choices</p>
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Source: IEA World Energy Outlook 2018, IEA Oil Information 2019
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Changing Global Energy Mix Through 2050

Renewables are expected to gain share, but the reduction in liquids demand may not be as severe as sentiment implies

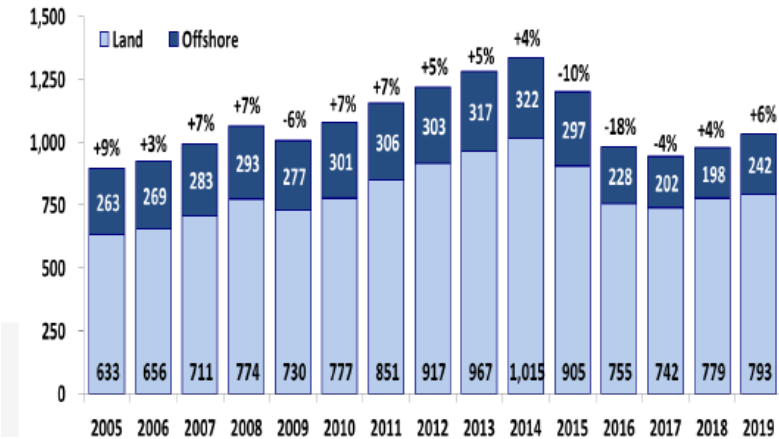


Source: Projections are from respective sources published reports
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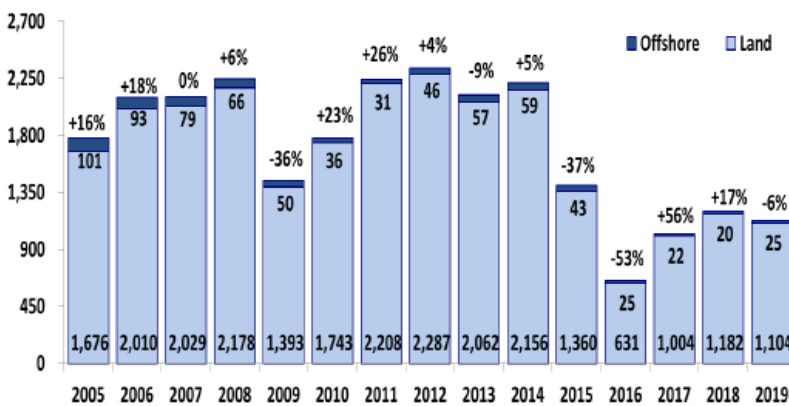
Micro Environment

2020 expenditure forecasts are pointing to continued international growth and NAM challenges

International Average Annual Rig Counts



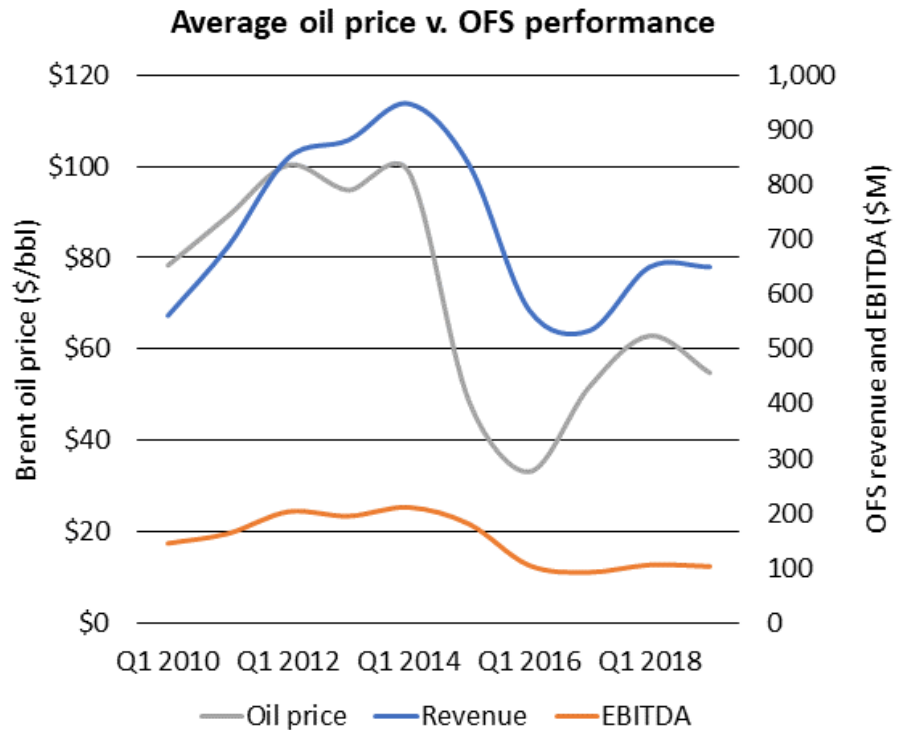
North America Annual Average Rig Counts



- International expenditures expected to grow by 4 to 5%
 - Offshore / Deepwater
 - Middle East
- NAM expenditures expected to decline resulting in continued pricing pressure
- Offshore winning the productivity battle

Profitability Pressure

Oil prices and OFS sector revenues have rebounded to 2011 levels but earnings have not improved



Date	Revenue	EBITDA	EBITDA Margin (%)	Oil price
Q1 2010	562	145	26%	78
Q1 2011	689	163	24%	89
Q1 2019	651	101	16%	55

Pre-2014 Downturn:

- \$75 + oil price
- Reserves growth focus
- Market willing to pay for complexity
- >25% EBITDA margins

Post-2014 Downturn:

- \$50 to 60 oil price
- Returns focus
- Market focused on lowest TCO solutions
- <16% EBITDA margins

OFS Industry Implications

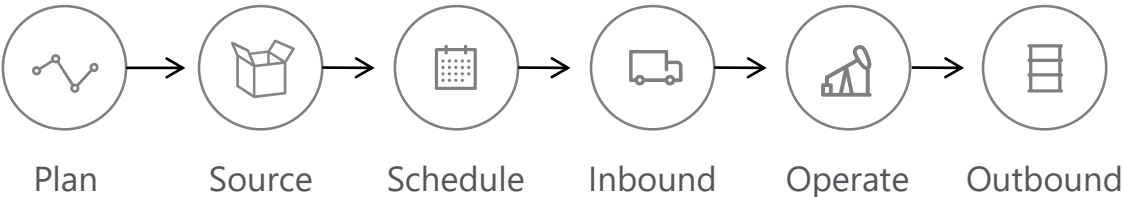
There are five levers we believe the sector needs to focus on to drive significant improvements in returns

1. Portfolio Strategy
2. Operating Models
3. Commercial Approach and Pricing
4. Integrated Business Planning
5. Internal Digital Solutions

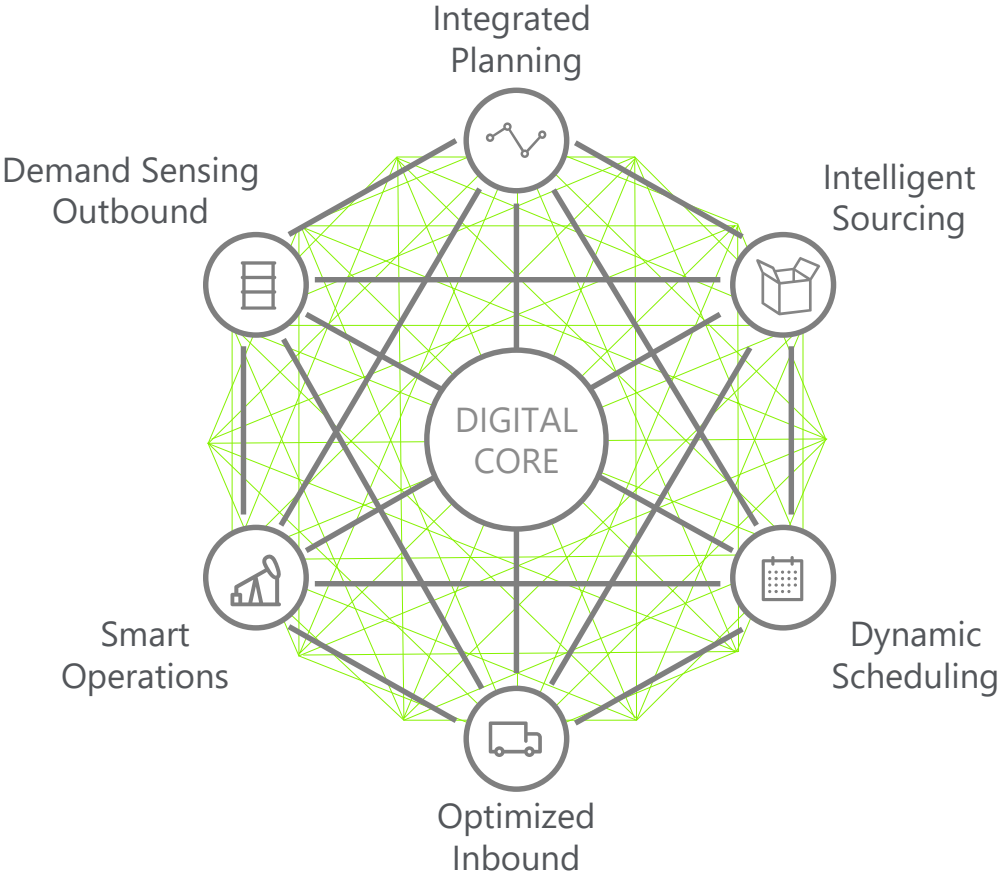
Supply Chain Implications

Digital supply chain capability will be a key driver of productivity and efficiency improvement across the value chain

TRADITIONAL SUPPLY CHAIN

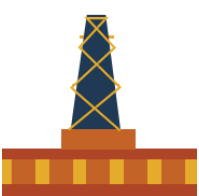
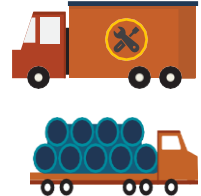


DIGITAL SUPPLY NETWORKS



Evolution of Supply Network Maturity

Each part of the oilfield services fulfillment network will be impacted and enabled to drive end to end value faster



Integrated Planning

Key Change – Increased visibility and transparency between operator, supplier and plans at the well site

Intelligent Sourcing

Key Change – Visibility and analytics of spend and supplier performance, automated expediting, & cognitive insight alerts supported by recommended actions

Dynamic Scheduling

Key Change – Increased ability to balance supply/demand changes in a dynamic way to shift and allocate work/crews as needed

Optimized Inbound Logistics

Key Change – Real time visibility on movement of assets, potential impacts and risks to anticipate and action network optimization

Efficient Drilling and Completions

Key Change – Integrated digital supply network through control tower solutions to drive rig and crew optimization

Proactive Production Operations

Key Change – Optimized asset utilization and availability through preventative maintenance leveraging sensor data, analytic models, and real time operations center

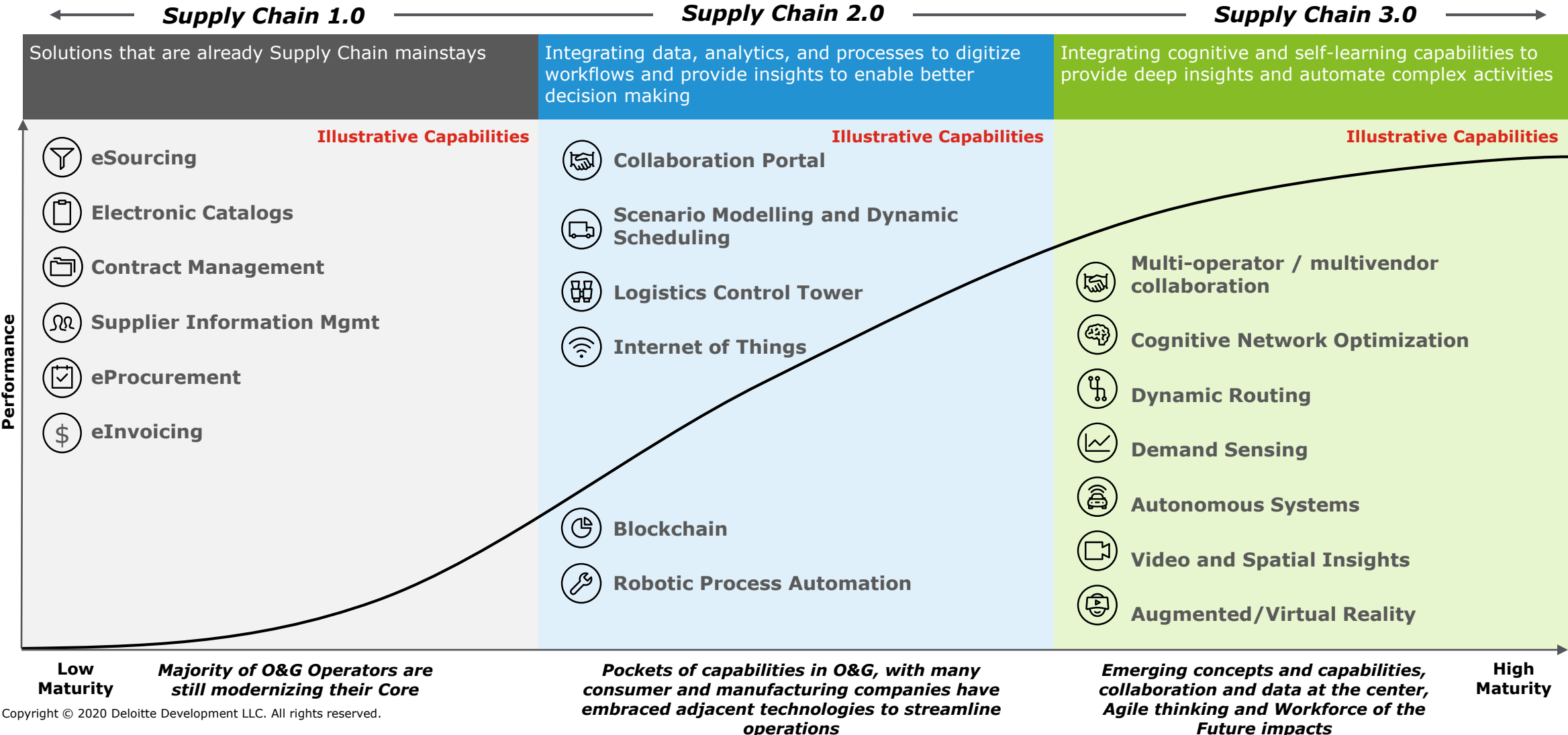
Data and Analytics

Technology

Operating Model & Workforce of the Future

The Evolution of Supply Chain Maturity

The O&G industry is the early stages of supply chain digital maturity relative to other industries





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