

# SeaBird Exploration

Company Presentation

April 2019



# Disclaimer and important notice

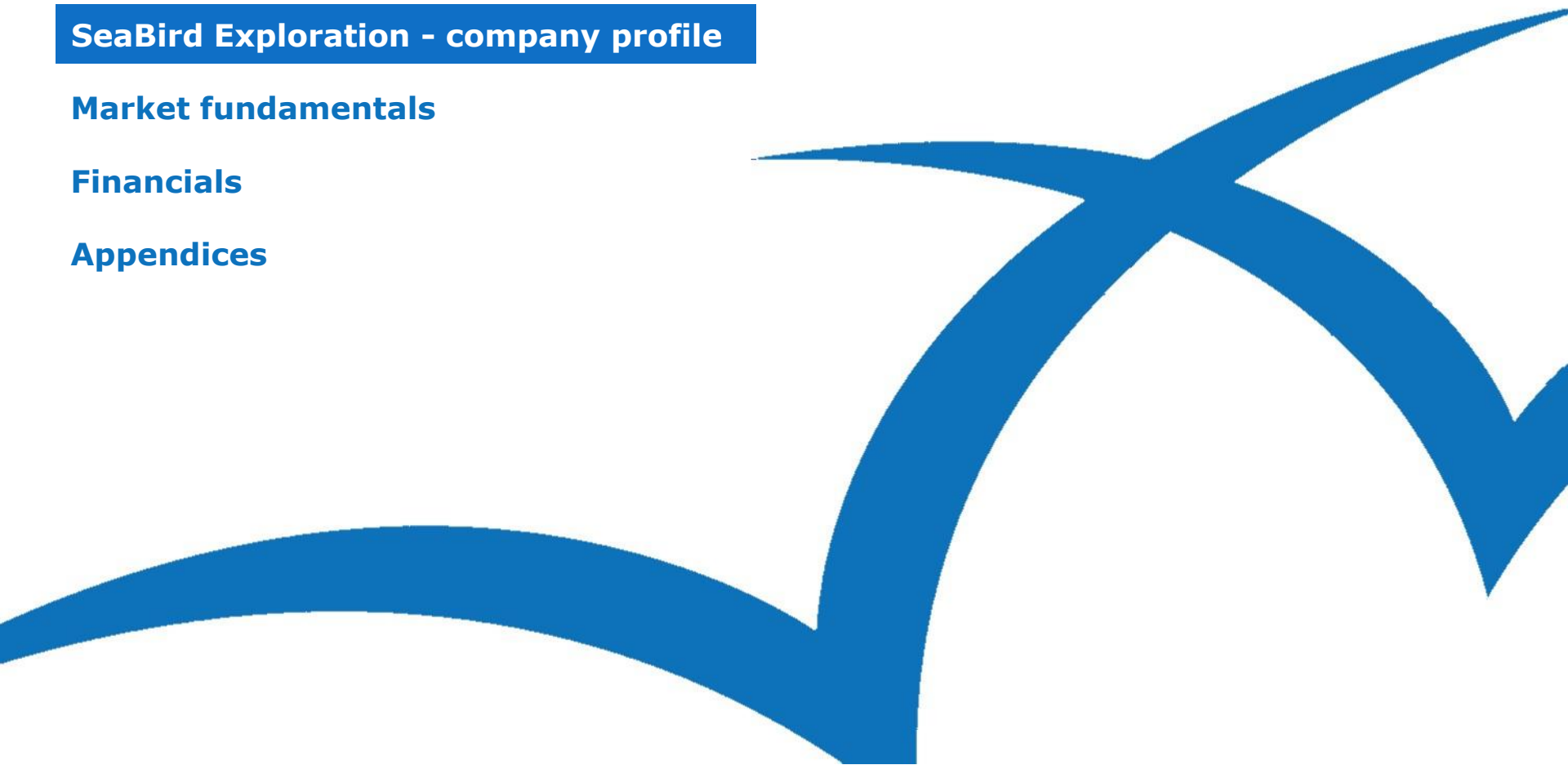
This company presentation (the "Presentation") has been prepared by SeaBird Exploration PLC ("SeaBird" or the "Company"). The Presentation has not been reviewed or registered with, or approved by, any public authority, stock exchange or regulated market place. No independent verifications have been made and the Company makes no representation or warranty (whether express or implied) as to the correctness or completeness of the information contained herein, and neither the Company nor any of its subsidiaries, directors, employees or advisors assume any liability connected to the Presentation and/or the statements set out herein. This Presentation is not and does not purport to be complete in any way. The information included in this Presentation may contain certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including, among others, increasing competition from other companies in the markets in which the Company operates, changes in E&P spending, OBS market share and the demand for 2D seismic services and source vessels generally, changes in international, national and local economic, political, business, industry and tax conditions, the Company's ability to realise backlog as operating revenue, the Company's ability to correctly assess costs, pricing and other terms of its contracts, political and administrative decisions that may affect the Company, the Company's ability to retain or replace key personnel and manage employee turnover and other labour costs, unplanned events affecting the Group's operations or equipment, the Company's ability to grow the business, fluctuations in the price of services, changes in exchange and interest rates, the Company's ability to manage its international operations, changes in the legal and regulatory environment and in the Company's compliance with laws and regulations, increases to the Company's effective tax rate or other harm to its business as a result of changes in tax laws, changes in the Company's business strategy, development and investment plans and the Company's success in identifying other risks to its business and managing the risks of the aforementioned factors. Should one or more of these risks or uncertainties materialise, or should any underlying estimates or assumptions prove to be inappropriate or incorrect, our actual financial condition, cash flows or results of operations could differ materially from what may be expressed or implied herein. The Company and its advisors assume no obligation to update any forward-looking statements or to conform these forward-looking statements to the Company's actual results. Investors are advised, however, to inform themselves about any further public disclosures made by the Company, such as filings made with the Oslo Stock Exchange or press releases. This Presentation has been prepared for information purposes only. This Presentation does not constitute any solicitation for any offer to purchase or subscribe any securities and is not an offer or invitation to sell or issue securities for sale in any jurisdiction, including the United States. Distribution of the Presentation in or into any jurisdiction where such distribution may be unlawful, is prohibited. This Presentation speaks as of [[=] April] 2019, and there may have been changes in matters which affect the Company subsequent to the date of this Presentation. Neither the issue nor delivery of this Presentation shall under any circumstance create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed, and the Company does not intend, and does not assume any obligation, to update or correct any information included in this Presentation. This Presentation is subject to Norwegian law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Norwegian courts with Oslo City Court as exclusive venue. By receiving this Presentation, you accept to be bound by the terms above.

## **SeaBird Exploration - company profile**

**Market fundamentals**

**Financials**

**Appendices**



# SeaBird Exploration - Investment highlights

## Established seismic operator

- Market leading high-end 2D seismic and source vessel provider
- ~25 years operational track record and long-standing relations with tier 1 clients
- Management with track record of value creation, e.g. Eagle Explorer transaction<sup>1</sup>

## Positioned in attractive markets

- High activity in source market – cyclical recovery underway in 2D/3D
- Well positioned for structural shift towards OBS<sup>2</sup> spending
- 40% increase in days on contract (from 2 to 4 operational vessels)<sup>3</sup>
- Tender duration up 52% y-o-y<sup>3</sup>
- 15 – 30% increase in day rates compared to one year ago

## Sound investment platform

- Clean balance sheet with net cash<sup>4</sup>
- EBITDA positive in current market with a flexible cost base
- Listed on Oslo Stock Exchange with actively traded share<sup>5</sup>

# SeaBird at a glance

*Global provider of seismic data and source vessels*

## SeaBird in brief

- SeaBird is a leading global provider of
  - Marine 2D and niche-3D seismic data
  - Source vessels services
- Operational track-record with blue-chip client base, both oil majors and seismic companies
- Experienced management with strong track record of cost efficient operations and value creation in the seismic industry
- Listed on Oslo Stock Exchange with 3<sup>rd</sup> highest turnover velocity in 2018



## A diversified blue-chip client base

### Major oil



### National oil



### Independent oil



### Seismic



# Experienced management team



## Hans Petter Klohs, CEO

- Joined the company as CEO in July 2018. Served as director on the BoD from 2015 - 2018
- 20 years of executive management experience from Oil & Gas and Shipping
- Successfully built and sold seismic ventures Exploration Resources and Arrow Seismic through GC Rieber AS
- Extensive experience from corporate finance, risk management, M&A and business development
- Holds a MPhil in International Finance, BSc Economics, BSc Business Administration



## Nils Haugestad, CFO

- Has held the position as CFO since April 2012
- Over 20 years experience in investment banking, principal investments and corporate strategy
- Previous experience includes CEO and founding partner of Fokus Capital Ltd
- Holds a Bsc. Degree from the Wharton School, University of Pennsylvania and a MBA from Harvard Business School



## Finn Atle Hamre, COO

- Joined the company as COO in July 2018
- 20 years experience in the Offshore Oil and Gas industry across both European and Asian markets
- More than 10 years in senior executive management positions including VP, MD, COO, CMO and CFO
- Successfully built and sold seismic ventures Exploration Resources and Arrow Seismic through GC Rieber AS
- Holds a B.eng (Hons) in Naval Architecture, and a Master of Business Administration



## Gunnar C Jansen, CCO

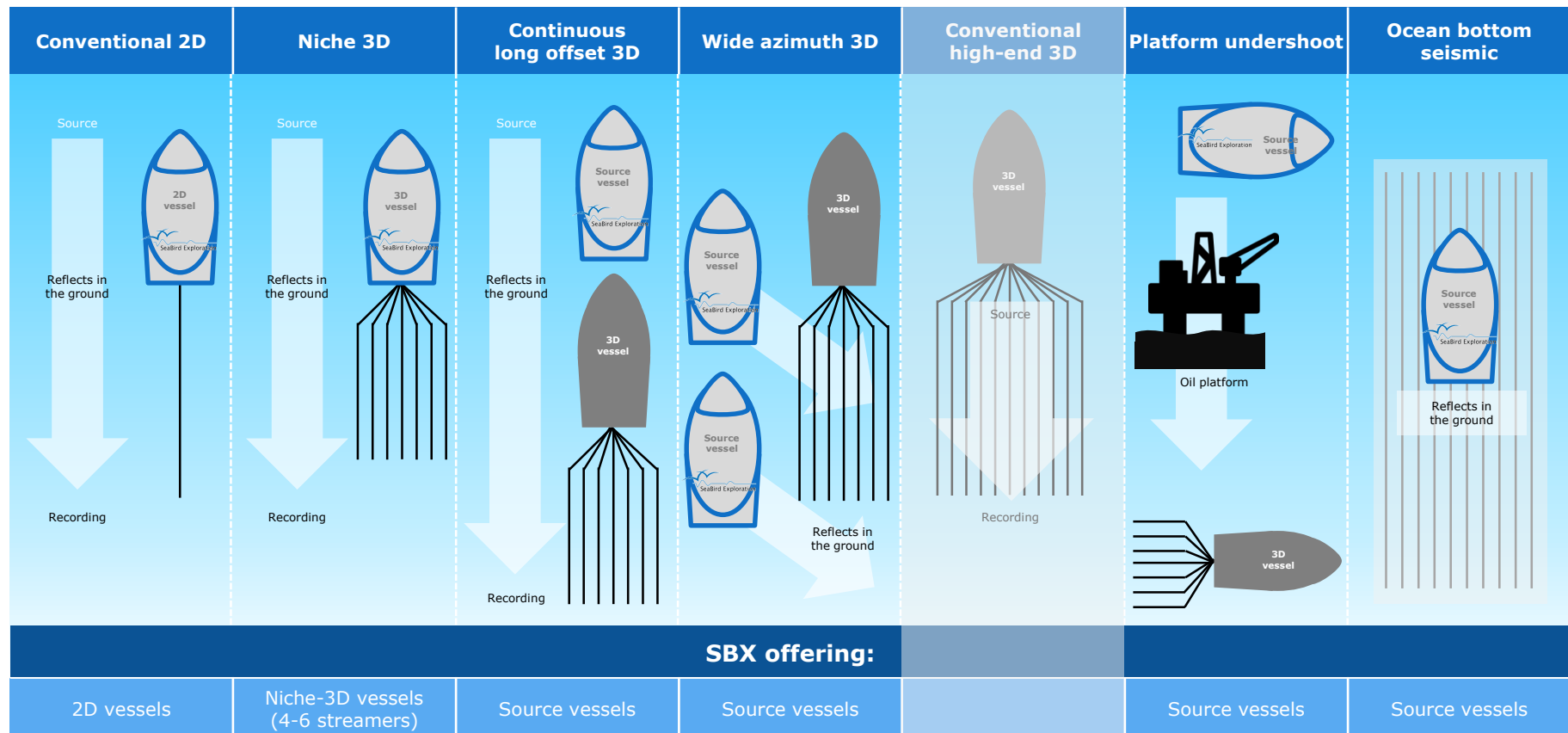
- Joined the company as CCO in August 2018
- 18 years experience from the shipping and offshore industries, including executive management positions as General Counsel, Deputy CEO, CCO, and CFO in companies operating in the offshore service and seismic segments
- Educational background in economics and law, including specialization in maritime law



# Versatile fleet with main presence in OBS and 2D



Seabird vessels and  
operational service



Mainly exploration

Mainly production

# SBX is well positioned to benefit from structural shift in the seismic industry

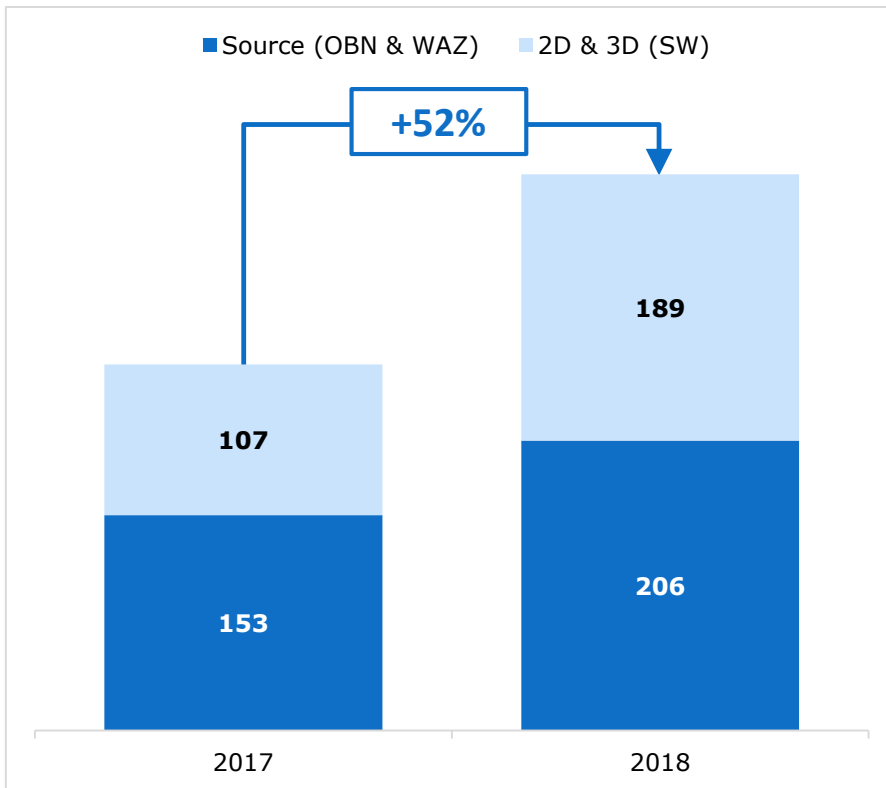
Time period	E&P companies focus	Impact for seismic industry
2005 to 2014	<ul style="list-style-type: none"> <li>• «Elephant» discoveries in harsh and deepwater regions</li> <li>• Large scale seismic surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Large, high capacity 3D streamer vessels</li> <li>• Increasing multi-client activity</li> </ul>
2018 ↓	<ul style="list-style-type: none"> <li>• Increased oil recovery (IOR) on existing fields</li> <li>• Near-field development</li> </ul>	<ul style="list-style-type: none"> <li>• OBS is well suited for the “new” E&amp;P focus</li> <li>• OBS market share ~20% vs 10% in 2013</li> <li>• High source vessel intensity in OBS projects</li> </ul>
	<ul style="list-style-type: none"> <li>• Selective frontier exploration</li> </ul>	<ul style="list-style-type: none"> <li>• 2D exploration recovery underway</li> </ul>



# Tendering activity up 52% y-o-y

*Diversified tender activity for both 2D, 3D and source work*

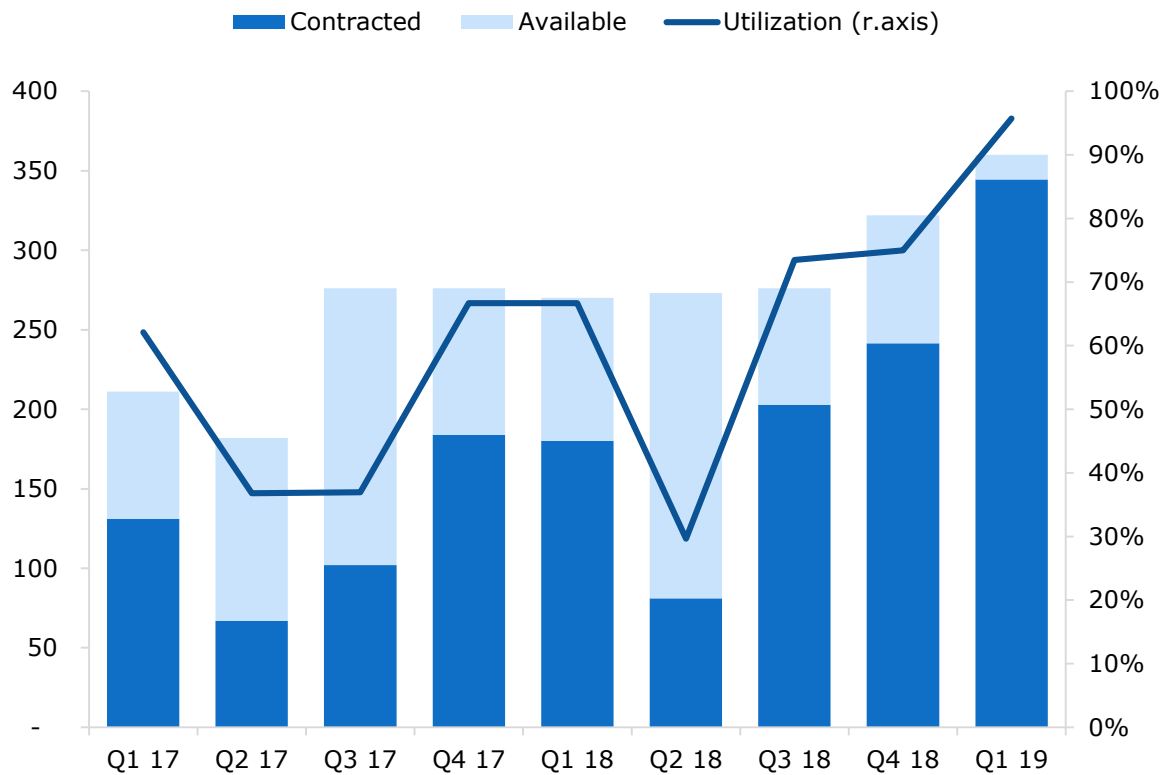
## Tenders - total duration (months)



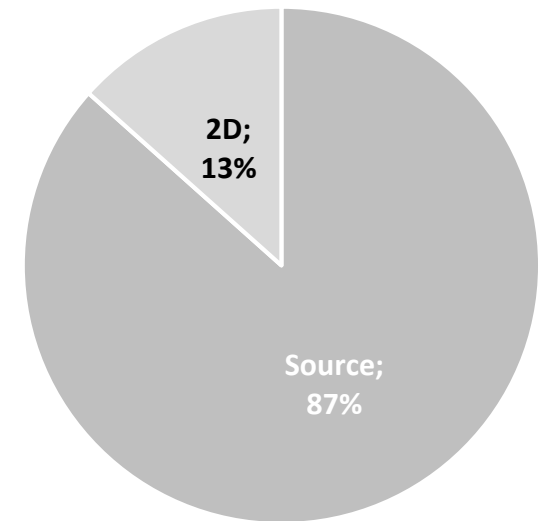
- OBS growth driving source vessel demand
  - Improving tender/contract conversion rate
  - Charterers seeking longer duration
  - Increasing size of OBS surveys push source vessel intensity as multiple vessels are needed for simultaneous shooting
- Expecting increased streamer utilization in revenue mix going forward
- Improving charter economics observed on the back of tightening supply/demand balance
  - 15 – 30% increase in day rates compared to one year ago

# Solid increase in charter coverage

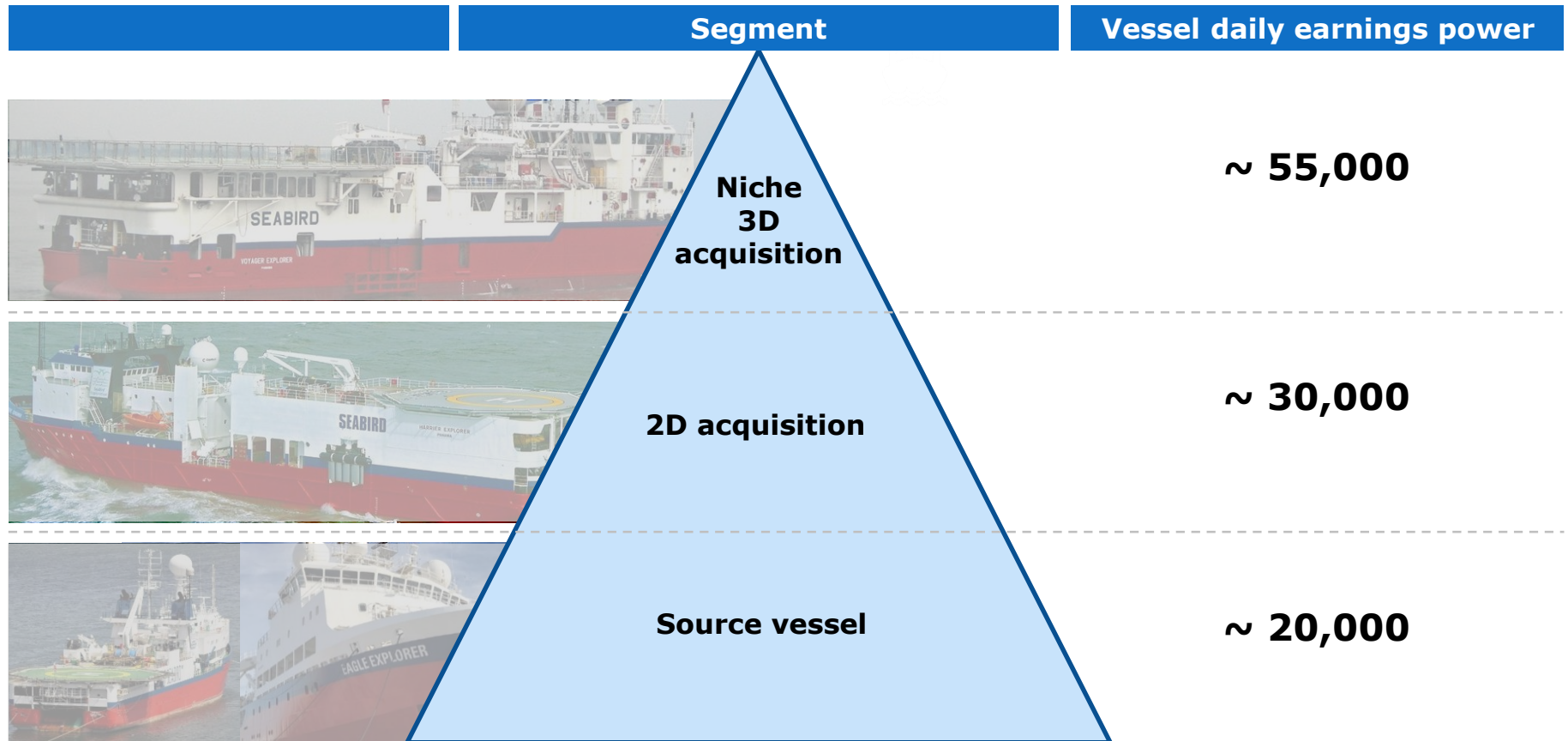
## Contracted vessel days and utilization



## Split by type (since 2018)

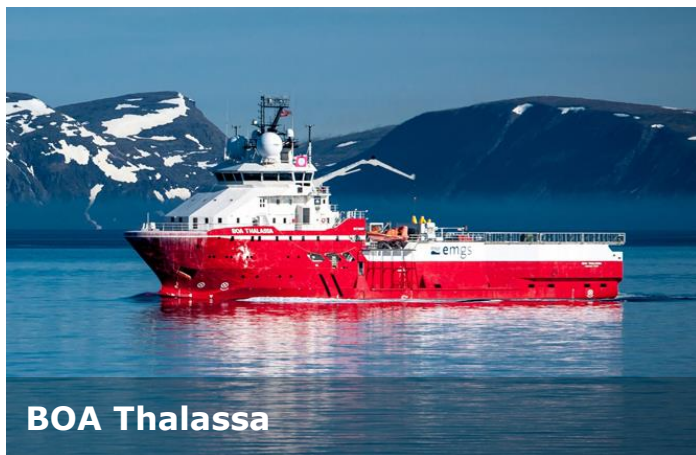


# Versatile fleet enables upside potential from higher streamer utilization in revenue mix



# Opportunities identified to meet increasing demand

*Attractive acquisition economics for BOA Galatea and BOA Thalassa*



- BOA Galatea and BOA Thalassa are sister vessels built 2008/09 in Norway for USD ~50m each
- Option to acquire for USD ~11 million/vessel
- Rigged and fully operational as EM vessels - suitable for upgrade to 2D/Source capability
- BOA Thalassa is currently chartered by EMGS
  - Firm until October 2019, options to extend for 3 x 6 months
  - USD 3.3 million EBITDA p.a<sup>1</sup>

# Increasing capacity at favorable flexible terms

*Charter-in agreement for 2D/3D vessels into market recovery*



**Nordic Explorer**

<b>Vessel</b>	<p>2D/3D vessel built in 1986, rebuilt in 1993</p> <p>Well suited for 2D, source &amp; niche-3D projects (4 streamers)</p>
<b>Time charter</b>	120 days fixed + 150 days option
<b>Charter rate</b>	<p>USD 14.5k/d firm period</p> <p>USD 14.95k/d option period</p>
<b>SBX investment</b>	<p>USD ~1.8m for additional 3D related new streamer equipment</p> <p>SBX will gain ownership of 9km of ION DigiSTREAMER in connection with the charter, and retain ownership of the new streamer equipment</p>

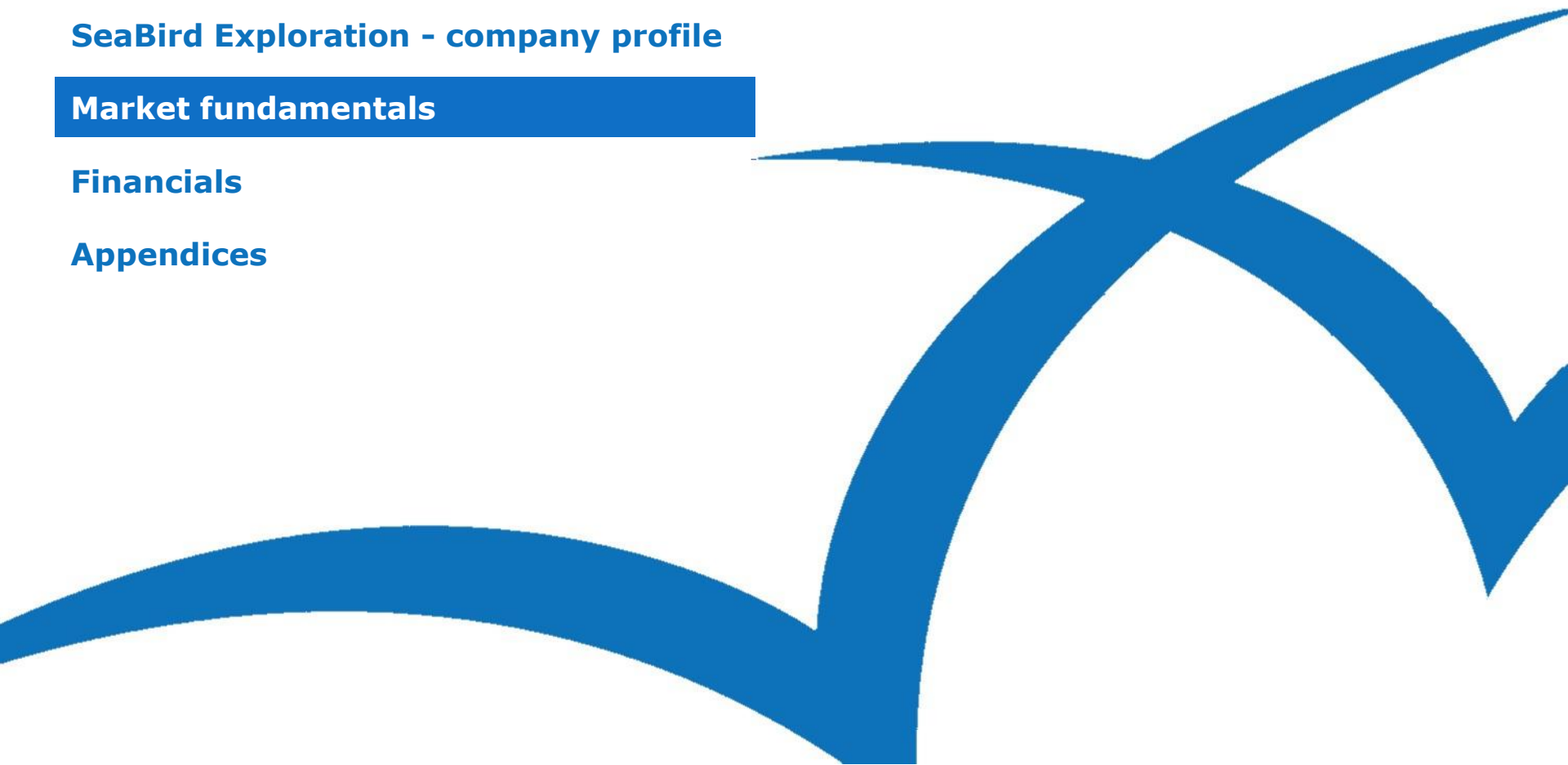
***Highly attractive economics with limited downside for SeaBird***

**SeaBird Exploration - company profile**

**Market fundamentals**

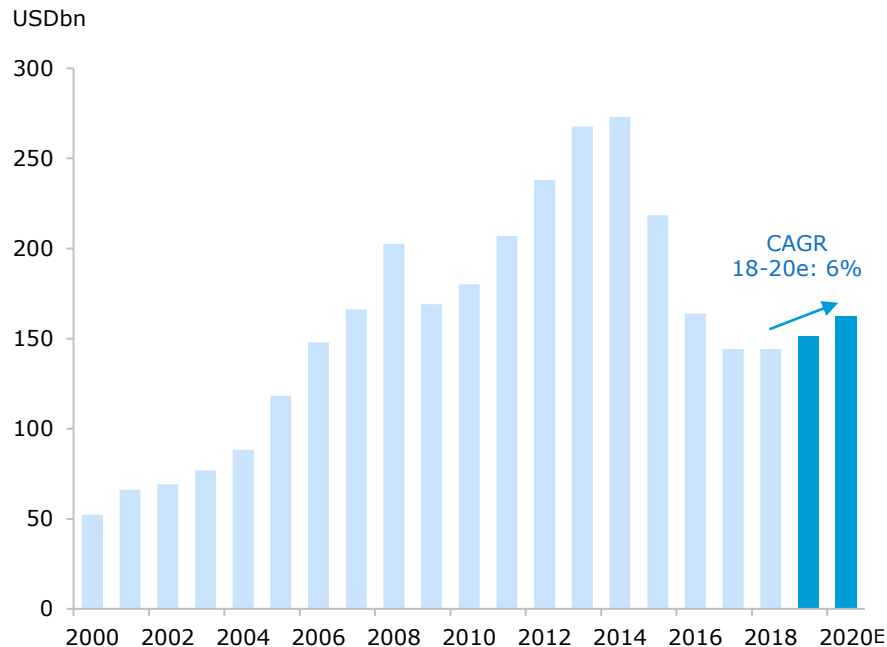
**Financials**

**Appendices**



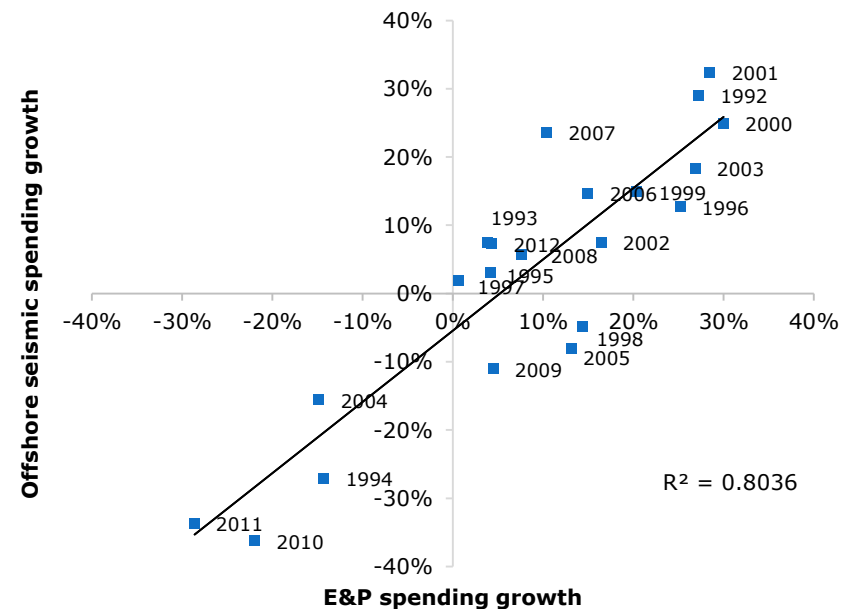
# Increasing E&P spending will drive total offshore seismic spending

## Increasing E&P spending...



- Y-o-y offshore investment growth expected in 2019
- E&P budgets are robust after significant cost cutting efforts in recent years
- Limited impact observed in client behaviour from Q4-18 oil price volatility

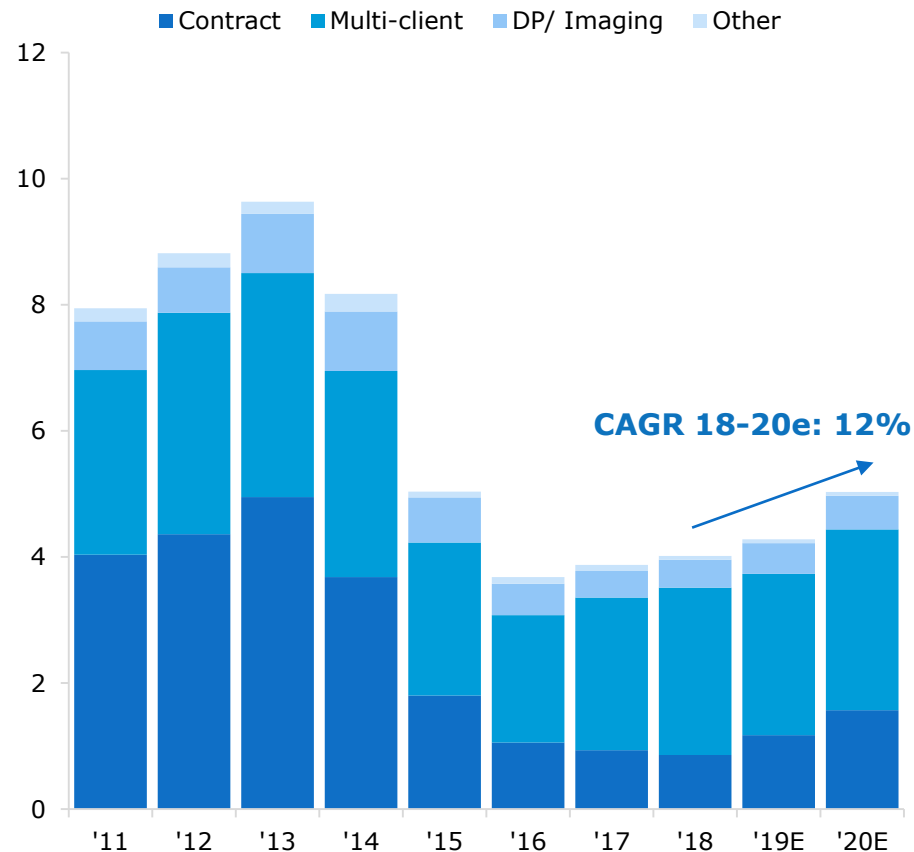
## ... has high correlation to seismic spending<sup>1</sup>



# 2019 seismic spending mainly driven by OBS market

## Aggregate seismic revenues<sup>1</sup>

USDbn



### 2018E growth: 4%

- Mainly driven by multi-client late sales

### 2019E growth: 7%

- 4% reduction in multi-client investments

- Continued strong growth in OBS (*contract*)

- Digital imaging and advanced processing techniques improve cost/benefit

### Near-Field in focus

The investment theme for 2019 continues to revolve around near-field exploration due to low break even rates and short time to “first oil”

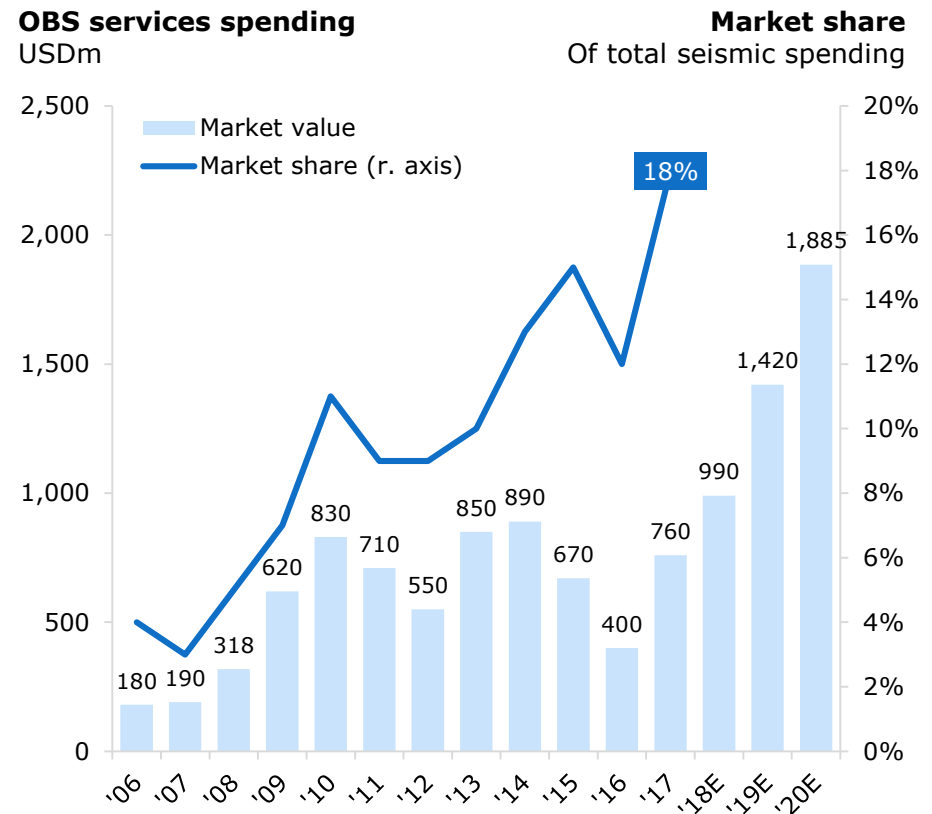


# OBS continues to gain market share

*~18% of total seismic spending in 2017, and is expected to grow further*

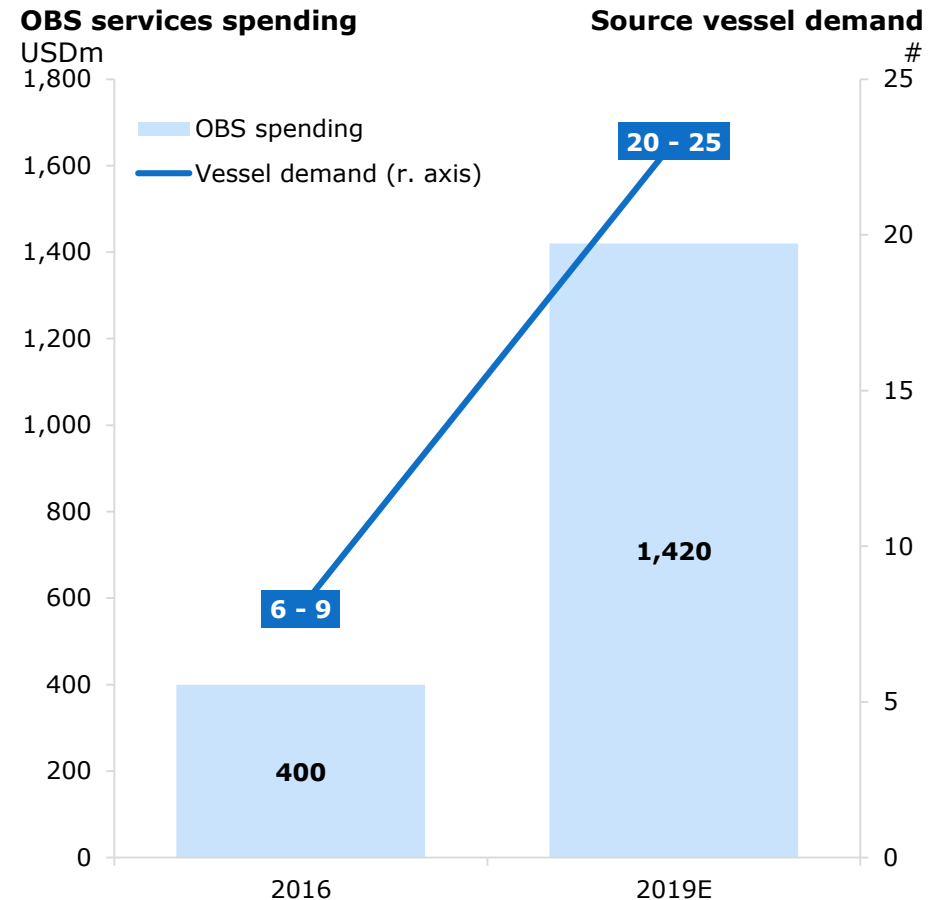
- OBS delivers superior data quality compared to streamer seismic
- Well suited for advanced reservoir characterization in the production phase
- Increasing adoption as mature area and near-field exploration tool
- Has systematically gained market share from 3D streamer seismic last 10 years
  - Significant survey cost reductions achieved
- Trend expected to continue
  - Further improvements in technology; smaller, better and cheaper nodes
  - More efficient handling systems
  - Better and cheaper data processing

## Ocean bottom seismic CAGR<sup>1</sup> 2016-2020: ~50%



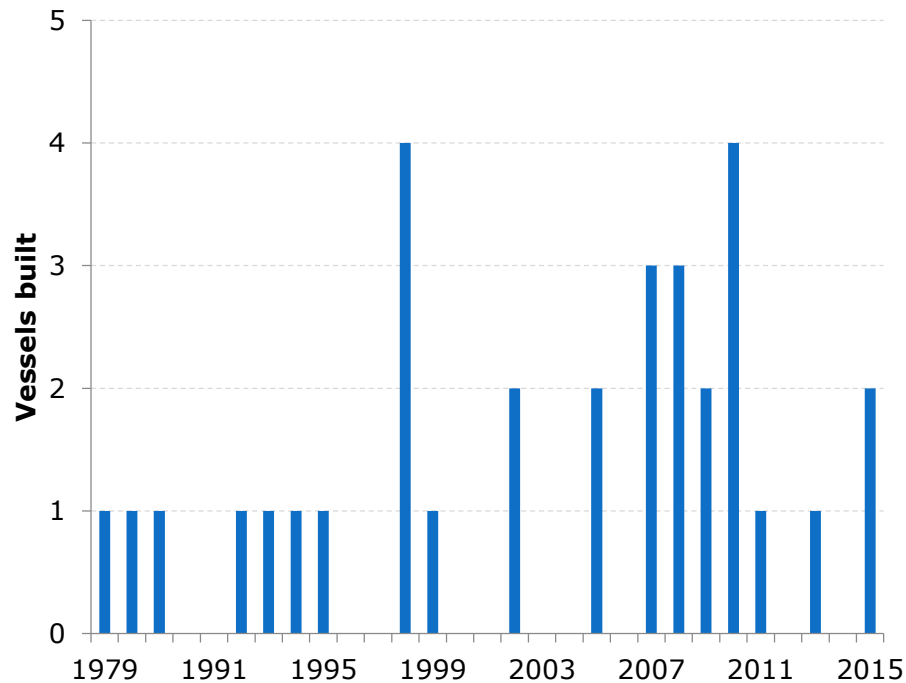
# Strong growth in source vessel demand

- Source vessels needed as air gun signal originator in OBS operations
- Significant growth in source vessel demand from cycle trough
  - Trough (H2-16): 6 – 9 vessel demand
  - Current (H1-19): 20 – 25 vessel demand
- Continued growth expected from OBS activity and high-end streamer (WAZ) recovery
- Source vessel intensity increasing due to larger survey scopes and simultaneous shooting set-ups
  - From 1-2 vessels historically to 2-3 vessels recently



# Limited and ageing supply of source vessels

## International source fleet by build year



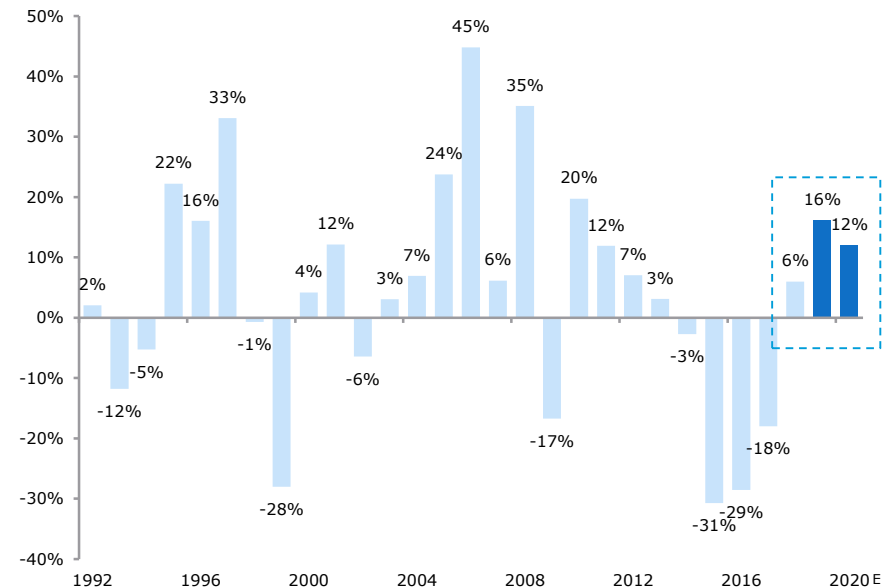
- Total relevant fleet of 32 vessels
  - Total marketed fleet of 28-30 vessels
- ~75% current relevant fleet utilization
  - <15 year old vessels: ~90% utilization
- Average fleet age close to 20 years

# Rebounding exploration spending drives 2D demand

## Limited vessel capacity

- Currently 3 - 4 active 2D vessels
  - Harrier Explorer primarily working 2D in 1H-2019
- No vessel age limitations
- Supply limited due to:
  - Need for full-service seismic operating platform
  - Streamer availability
  - Several 2D vessels operating on longer term source contracts
- Active discussions for numerous multi-client and proprietary streamer projects

## Offshore exploration spending

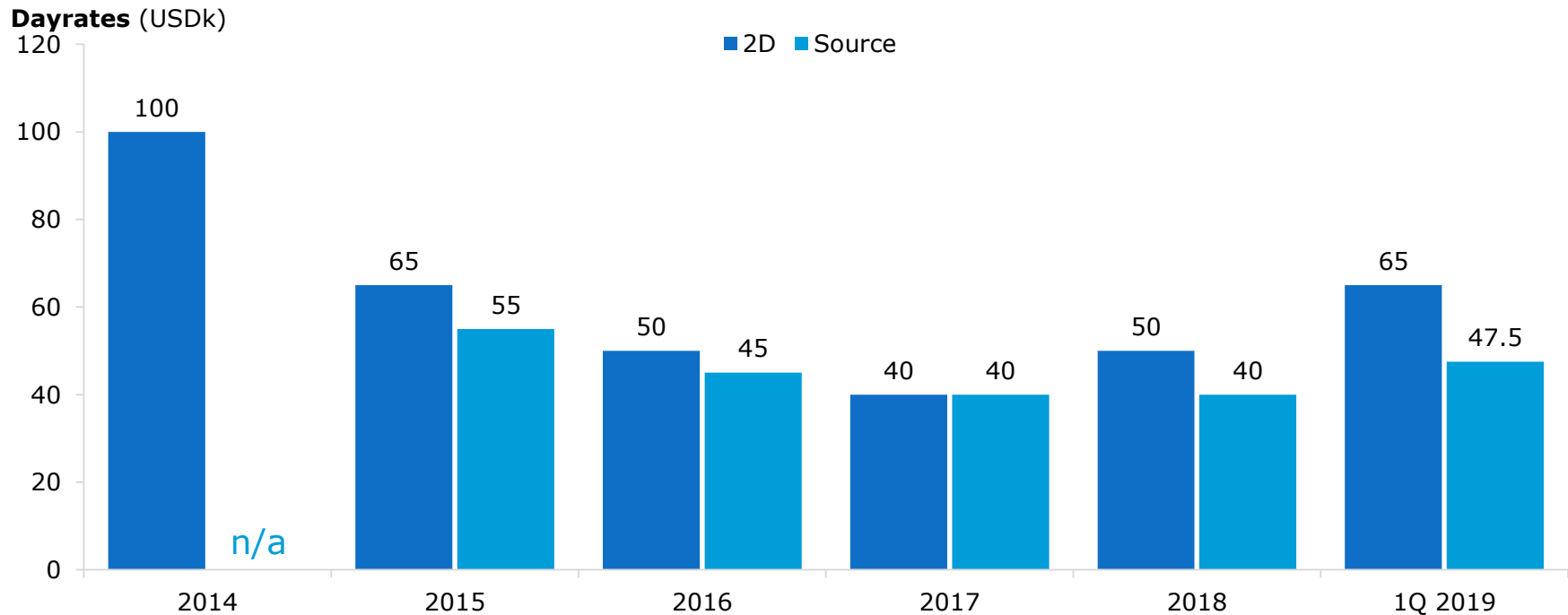


***Small uptick in demand should tighten market balance meaningfully***

# Positive trend for 2D and source rates

*2019 YTD reports indicate improved contract prices across all seismic segments<sup>1</sup>*

## 2D/Source dayrates<sup>2</sup>



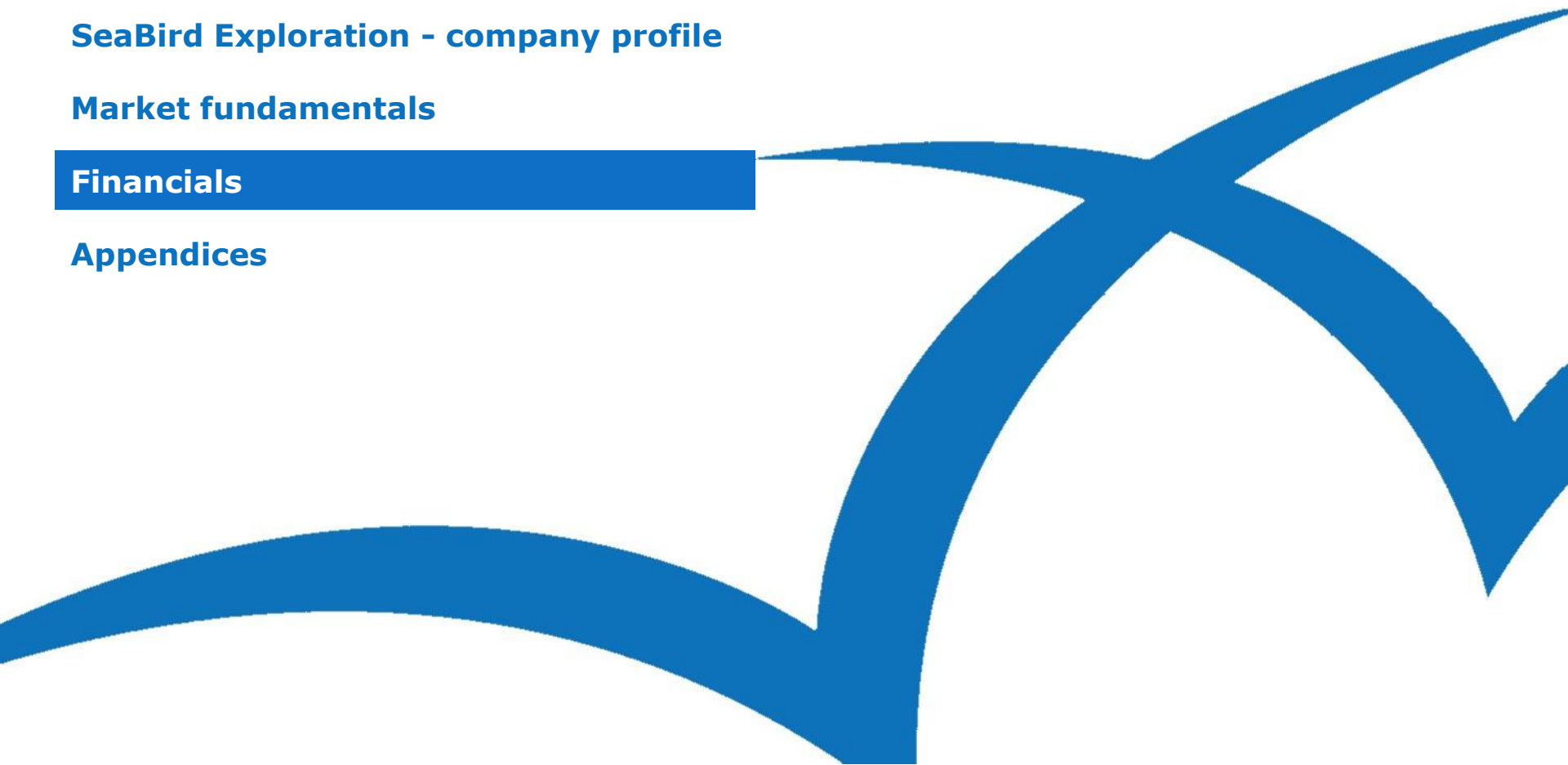
- 2D and source rates have remained cash positive throughout the downturn
- Newly reported 2019 contracts signal improved seismic vessel prices across all markets in the range of 15-40% y-o-y

**SeaBird Exploration - company profile**

**Market fundamentals**

**Financials**

**Appendices**



# Income statement Q4 2018

## Consolidated interim statement of income

	Q4 2018	Q4 2017
All figures in USD millions (except EPS)	Actual	Actual
Contract	6.8	5.5
Multi-client	0.0	-
<b>Total revenues</b>	<b>6.8</b>	<b>5.5</b>
Cost of sales	(5.8)	(5.4)
SG&A	(1.9)	(2.3)
Other income (expenses), net	(0.3)	-
Restructuring gain on leases	-	0.1
<b>EBITDA</b>	<b>(1.2)</b>	<b>(2.1)</b>
Depreciation	(2.5)	(2.1)
Impairment	-	(0.6)
<b>EBIT</b>	<b>(3.6)</b>	<b>(4.8)</b>
Interest and finance expense	(0.1)	(0.1)
Restructuring gain	-	(0.3)
Income tax	0.0	0.3
<b>Profit/(loss) continuing operations</b>	<b>(3.7)</b>	<b>(4.9)</b>
Net profit/(loss) discontinued operation	-	-
<b>Shareholders of the parent</b>	<b>(3.7)</b>	<b>(4.9)</b>
Earnings per share from continued operations		
Basic	(0.01)	(0.13)
Diluted	(0.01)	(0.13)

## Comments

- SG&A in the quarter includes:
  - \$0.1 million non-cash option expense
  - \$0.1 million audit accruals which historically would have been booked in 2019

# Cash flow statement

## Consolidated interim statement of cash flow

	Q4 2018	Q4 2017
All figures in USD millions	Actual	Actual
Profit / (loss) before income tax	(3.7)	(5.2)
Depreciation, amortization and impairment	2.5	2.7
Movement in provision	-	(0.4)
Other items	0.1	-
Unrealized exchange (gain)/loss	(0.1)	0.1
Interest expense on financial liabilities	0.2	0.1
Paid income tax	(0.0)	(0.1)
(Increase)/decrease in inventories	(0.1)	0.1
(Increase)/decrease in trade and other receivables	(1.1)	0.2
Increase/(decrease) in long term liabilities	0.0	0.4
Increase/(decrease) in trade and other payables	0.1	(5.3)
Increase/(decrease) in deferred income	0.7	-
<b>Net cash from operating activities</b>	<b>(1.5)</b>	<b>(7.2)</b>
Capital expenditures	(19.8)	-
Long term investment	0.0	-
Multi-client investment	(0.8)	-
<b>Net cash used in investing activities</b>	<b>(20.5)</b>	<b>-</b>
Proceeds from issuance of ordinary shares	-	12.6
Repayment of borrowings	(0.0)	(0.5)
Interest paid	-	0.1
<b>Net cash from financing activities</b>	<b>(0.0)</b>	<b>12.2</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(22.0)</b>	<b>5.0</b>



# Balance sheet

## Consolidated interim statement of income

	As of 31 December	
All figures in USD millions (except for equity ratio)	2018	2017
Property, plant and equipment	41.9	28.4
Multi-client library	1.5	-
Other non-current assets	0.6	0.1
Inventories	1.2	1.0
Trade receivables	2.1	1.2
Other current assets	5.1	3.6
Cash and cash equivalents	5.8	6.3
Restricted cash	0.2	0.2
Assets held for sale	-	0.5
<b>Total assets</b>	<b>58.3</b>	<b>41.2</b>
Equity	37.5	15.7
Non-current loans and borrowings	4.6	4.0
Non-current trade payable	0.4	0.4
Long term tax payable	1.3	-
Other long term provision	0.6	0.4
Current trade payable	3.0	5.1
Current other payable	8.9	7.6
Provisions	-	3.0
Current loans and borrowings	-	0.2
Deferred income	0.7	-
Current tax payable	1.5	4.8
<b>Total equity and liabilities</b>	<b>58.3</b>	<b>41.2</b>
Net interest bearing debt	(1.2)	(2.1)
Equity ratio %	64.3%	38.0%

## Comments

- Glander credit facility reclassified from non-current loans and borrowings to non-current trade payables

