

OIL & GAS

# ACQUIRE, DIVEST AND INVEST WITH CONFIDENCE

**Due diligence in DNV GL**

Companies considering acquiring, investing or providing project finance often commission independent expert consultants to perform due diligence services. With teams that combine technical and business expertise, DNV GL helps build a comprehensive understanding of the business challenges and an improved understanding of the investment risks involved.

Due diligence is an investigation or audit prior to an investment, divestiture or selling transaction. It confirms that all material facts are correct and therefore reduces the probability of risk to the buyer, seller or investor in the transaction.

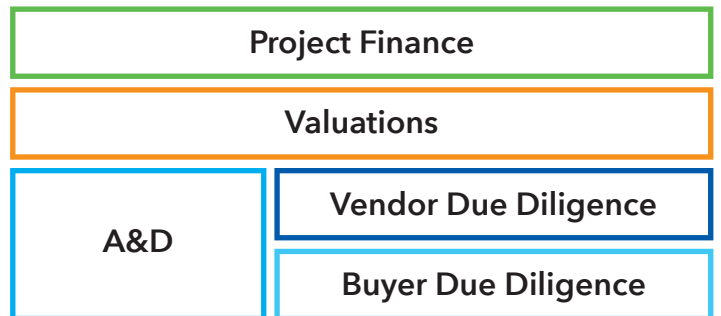
At DNV GL, our due diligence services are conducted by teams comprising of technical and commercial experts that jointly gain a comprehensive understanding of the project. We provide a multi-disciplinary service that pools resources from our global network of experts tailored to the transaction.

**Our role**

Our due diligence team reviews and opines on the technical characteristics of the transaction to confirm that all material facts are correct. DNV GL will, in addition, provide our clients with a view on the cost implications of technical findings and can also provide independent CAPEX and OPEX estimates.

We regularly act as technical advisor on both 'buy' and 'sell' sides for acquisitions and divestment type transactions, as well as act as Independent Engineer/ Independent Social and Environmental Consultant for project finance deals.

**DNV GL Due Diligence Services**



**Our expertise**

The assets within our technical expertise for the Oil & Gas sector include:



## Project Finance

No bank or financial institution will finance a project without knowing all factors that could pose a risk to their investment. We provide an improved understanding of the technical and commercial risks and risk mitigation measures, thereby contributing to improved investment decisions.

### Our approach

DNV GL project due diligence services are related to the risk disclosure associated with projects financed by means of a Project Finance Facility. A project due diligence is conducted to enable lenders to assess risks to their loan terms by the borrower before and during the project.

Typical services include Independent expert advice on technical or commercial matters:

- Design & specification review
- Contracts, charter, purchase order review
- Project arrangements, capabilities, & experience
- Monitoring of the condition, progress or performance of entities involved in the transaction (engineering, planning, construction, maintenance & operation).
- Assessment of project performance (past & present) & environmental social management
- CAPEX & OPEX review

## Valuations

Third Party valuations of assets are often required by the associated parties in a transaction such as financial institutions and insurance companies. DNV GL specialise in valuation of floating assets such as drill ships, semi submersibles and other specialised carrier vessel (LNG, LPG, ethylene, etc.).

### Our approach

We, generally, consider the following approaches:

- **Market Approach:** This approach researches the current market for identical or similar type assets that are for sale or were sold in order to compare and ascertain the value of the subject unit adjusted for age and condition.
- **Cost Approach:** The figure is arrived at by examining the total cost of the unit at the time of construction (or current replacement cost) and adjusting that amount for inflation and depreciation due to age.
- **Income Approach:** This method establishes the asset's worth based on the amount that it will earn during the Remaining Useful Life after deductions for finance, operation, service, manning and administrative costs. Often referred to as the Discounted Cash Flow Method.

### CASE A: DUE DILIGENCE PROJECT IN SOUTH KOREA

DNV GL provided expert technical advisory to assist the potential Lenders during construction and delivery for Project Financing. Provided support for:

- Technical Assessments, Operability Review, Construction Monitoring, Project and Contract Review and CAPEX & OPEX Reviews.

#### Asset Description:

- 4 New-build Drillships

#### Deal Value

- \$ 1.80 B



### CASE B: PROJECT SHELF FOR GLOBAL JACK-UP FLEET

DNV GL provided expert technical advisory to assist the potential Lenders in determining key parameters in their financial models. Provided support for:

- Sample condition surveys of the fleet of Jack-ups.
- Fair Market Value analysis based on the Jack-up fleet's factors using the Market Approach, Cost Approach and Income Approach methods.

#### Asset Description:

- 38 Jack-up rigs in operation

#### Deal Value

- \$ 1.05 B



## Acquisitions & Divestments (A&D)

### Vendor due diligence

As a Vendor, you have a single asset or a collection of mixed asset types to divest, in whole or in part. Irrespective of your situation, you will need to present the key information for the sale in an objective and comprehensive manner, highlighting the current state of the asset, its support arrangements and the future operating / capital expenditures.

DNV GL's due diligence team has significant experience in compiling, assessing and opining on the key information to deliver Vendor Due Diligence reports that address all technical aspects of interest to potential bidders.

### Buyer due diligence

As a Buyer, you may be an Oil and Gas company or a financial investor such as an Investment Bank, Private Equity firm or Infrastructure Fund. You need to quickly understand whether there are any show-stoppers and/or material (red flag) issues that can potentially impact on the valuation of an asset and/or have consequential future liabilities.

DNV GL's approach for Buyer Due Diligence is tailored for each specific transaction and allows bidders to make a 'bid' or 'no-bid' decision quickly based on the cost implications of any material technical issues.

### CASE C: LIQUID STORAGE TERMINALS ACROSS NW EUROPE

DNV GL developed a tailored protocol to assess the Company's overarching asset management practices, the appropriateness of operations, maintenance and inspection procedures, assess on the integrity and condition of the assets and opine on the terminal's flexibility and operational performance.

All material findings were reflected as adjustments to the Vendor's CAPEX & OPEX profiles presented to Bidders.

#### Asset Description:

- Series of liquid storage terminals located in three different countries
- Road, rail and water transportation

#### Deal Value

- € 1.1 B



### A&D approach

DNV GL conduct due diligence across a number of aspects of the asset; these typically include technical and operational review of the asset, critique of the organisation and its governance and risk management processes, compliance with HSE regulations, and ultimately whether the CAPEX, OPEX and ABEX forecasts provided by the seller are reasonable.

### CASE D: GAS INFRASTRUCTURE IN THE UK

DNV GL provided expert technical insight to assist the Bidder in determining key parameters in their valuation models, including:

- The level of liquids production that could realistically be expected from the assets.
- The sensitivity of future OPEX and availability with respect to the upstream network.

#### Asset Description:

- 5 offshore platforms & 7,500km pipeline
- 2 process plants & 7 gas terminals

#### Deal Value

- US \$ 954 M



## CONTACTS



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### About DNV GL

DNV GL is the leading technical advisor to the global oil and gas industry. We provide consistent, integrated services within technical and marine assurance and advisory, risk management and offshore classification, to enable safe, reliable and enhanced performance in projects and operations.