



# JOINT VENTURE WITH ALPHA DHABI HOLDING PJSC & FIRST INVESTMENT IN GORDON TECHNOLOGIES

JANUARY 11, 2024



**ADNOC DRILLING**



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# AGENDA & PRESENTERS

● **JV Highlights and Progress**

● **Strategy and Execution**

● **Appendix**



**Abdulrahman Abdullah Al Seiri**  
*Chief Executive Officer*



**Christopher McDonald**  
*Chief Operating Officer*



**Youssef Salem**  
*Chief Financial Officer*

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# JV HIGHLIGHTS AND PROGRESS



# FUTUREPROOFING ADNOC DRILLING

ESTABLISHMENT OF A JV TO CREATE VALUE WHILE EXECUTING ON OUR STRATEGY



## Establishment of Joint Venture

JV is now established with strong governance and key partners who have complementary skills, strong pipeline identified



## Swift Acquisition of First Asset

25% stake in Gordon Technologies, one of the leading provider of MWD<sup>1</sup> in the US



## Attractive Valuation and Accretion Potential

Favorable deal dynamics coupled with Middle East business potential



## Strong and Aligned Pipeline

Strong and growing pipeline of 10+ potential deals<sup>2</sup> aligned with ADNOC Drilling and UAE's ambition to evolve as a technology hub

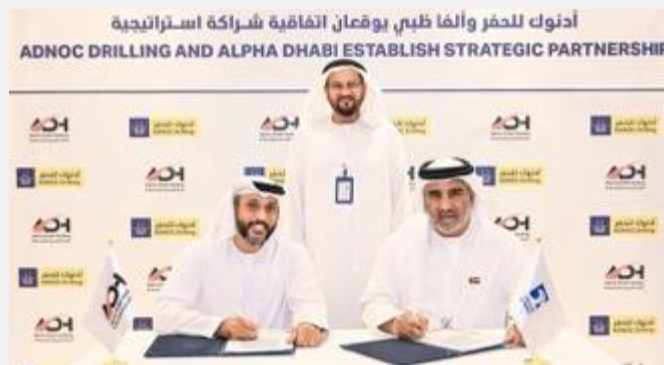
**Enhancing owned-IP portfolio by acquiring energy technology and energy services companies**

*Notes: 1) Measurement while drilling; 2) Only includes transactions post preliminary evaluation stage; potential transactions execution subject to, among others, relevant regulatory approvals*

# STRATEGIC PARTNERSHIP WITH ALPHA DHABI

## JV ESTABLISHED, FIRST TRANSACTION SUCCESSFULLY COMPLETED

### November 2023



- **ADNOC Drilling and Alpha Dhabi signed** the creation of strategic investment Joint Venture ("JV") to **invest up to USD 1.5 billion**
- **JV mandated to target global investments** in technology-enabled oilfield and energy service companies with ambition of accessing technology with attractive financial profile

### January 2024



- Successful incorporation of the JV
- Successful **completion of the JV's first transaction**, with Alpha Dhabi contributing **25% stake in Gordon Technologies**, US based leading "measurement while drilling" (MWD) provider, for c. USD 180 million<sup>1</sup>
- **Comprehensive governance structure in place** with a fully functional Board of Directors

### Way Forward



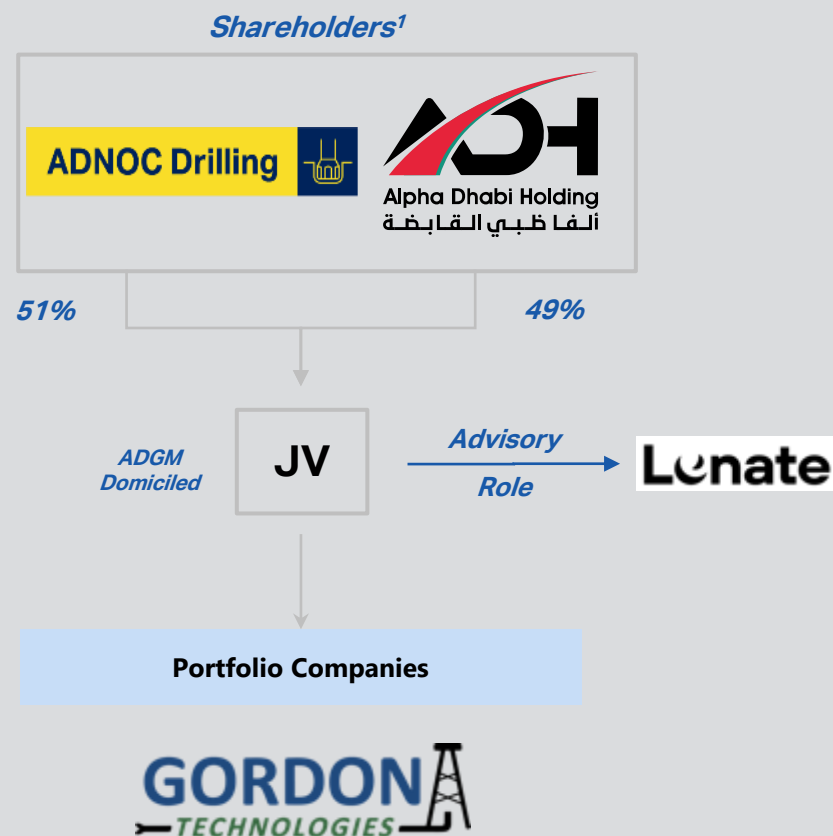
- Evaluate, execute and integrate transactions in line with the investment mandate from the **10+ / USD1.3 billion pipeline<sup>2</sup> of value-accretive transactions**
- **Deliver various value creation initiatives** as planned pursuant to the JV's strategy
- **Further support ADNOC Drilling's decarbonization and futureproofing strategy** through investment in innovative and efficient technologies

Notes: 1) 25% equity value of USD 180m includes stake adjusted net cash of USD 15m, resulting in an 100% Enterprise Value of c. USD 660m; USD 8m of the consideration is deferred and is expected to be paid in 2Q 2024; 2) Only includes transactions post preliminary evaluation stage; Potential transactions execution subject to, among others, relevant regulatory approvals

# STRONG VALUE ADDITIVE STAKEHOLDERS

BLENDING ADNOC DRILLING'S TECHNICAL EXPERTISE WITH ALPHA DHABI AND LUNATE'S TRACK RECORD

## Structure Recap



## Stakeholder Overview



**AED 3.2Bn<sup>3</sup>**

*O&G Sector Investments*

- An **investment holding company** striving to become the market leader in all its business verticals
- **Rank 13<sup>th</sup>** in **Forbes Middle East's** top listed companies
- **# 4<sup>th</sup> largest on the ADX** with market cap of c. AED 187 billion<sup>2</sup>
- **8 sector verticals** covering real estate, healthcare, infrastructure, industries, energy, climate capital, hospitality and investments



Petrochemicals



Oil Field Services

**Lunate**  
**USD 105Bn**

*AuM*

**80**  
**employees**

*Investment Team*

- Headquartered in Abu Dhabi, Lunate is a **partner-led independent asset manager** primarily focused on investments in private markets
- Currently **manages large customized SMA portfolios and co-mingled funds** for clients
- **7+ diversified asset classes** across **8+ sectors globally** and team's track record includes **200+ direct deal and 140+ fund investments**
- Investment process based on deep fundamental diligence and highly disciplined underwriting, anchored through a comprehensive asset allocation and portfolio construction framework

Notes: 1) Through subsidiary entities; 2) As of 08 January 2024 (source: Bloomberg); 3) Amount of invested capital

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# STRATEGY AND EXECUTION





# MANDATE ALIGNED TO SHAREHOLDERS GROWTH AMBITIONS

SIZEABLE CAPITAL COMMITMENT AND WELL-DEFINED STRATEGY FOR VALUE ENHANCEMENT

## USD 1.5 billion

Committed Capital to acquire technology-enabled companies in the oilfield services ("OFS") & energy sectors

## USD c.180 million<sup>1</sup>

Deployed capital for 25% stake in leading US based MWD provider Gordon Technologies

## 10+ deals / USD 1.3 billion<sup>2</sup>

Strong and growing deal pipeline aligning with the investment mandate and focus of the Shareholders

## JV Highlights

- **Well aligned mandate:** JV mandate aligned with ADNOC Drilling OFS and Integrated Drilling strategy, supporting overall strategy execution
- **Now presents a unique opportunity:** Positive macro-economic situation aided by attractive deal dynamics and tangible value creation plans
- **Clearly defined investment parameters:** Investment criteria covering strategic, financial and deal parameters to enhance shareholder value creation
- **Strong value additive stakeholders:** Combining ADNOC Drilling's strategic expertise with Alpha Dhabi and Lunate's transaction experience
- **Tailored governance structure:** Governance designed to enable responsible as well as efficient decision making

## KEY INVESTMENT PILLARS



**Technology players** with own IP rights in the **well value chain**



**Global coverage** with focus on tangible differentiated technologies



**Proven Middle Eastern applicability** enabling plug & play in MENA operations



Focus on **tangible process / cost efficiency and sustainability enablers**



**Cash generative companies with attractive deal dynamics** to enable financial value accretion

Notes: 1) 25% equity value of USD 180m includes stake adjusted net cash of USD 15m, resulting in an 100% Enterprise Value of c. USD 660m; USD 8m of the consideration is deferred and is expected to be paid in 2Q 2024; 2) Only includes transactions post preliminary evaluation stage; Potential transactions execution subject to, among others, relevant regulatory approvals

# INVESTMENT IN GORDON TECHNOLOGIES

25% EQUITY STAKE ACQUIRED BY THE JV IN ONE OF THE LEADING MWD PLAYERS OPERATING IN US

## Gordon Technologies



- **US-based leading provider of MWD technology**, with 12 patents<sup>1</sup> covering key components across US, Canada, UK and China
- Established in 2014 with **HQ in Louisiana** with service centers across key US basins
- **Direct relationship with E&P** players based on performance measures
- Service **offering strengthened through M&A**, providing vertical integration in sensors and electronics

## Key Thesis



- **Strong fit** with the JV mandate
- **Global market potential** across horizontal drilling applications
- **Strong and tangible differentiation on** reliability measures
- **Attractive deal dynamics** with consideration of USD c. USD180 million<sup>2</sup> for 25% equity stake representing <7x EV/FY2023E EBITDA

## Value Creation Levers



- **Opportunities with ADNOC Group upstream** and wider Middle East market
- **Further complements ADNOC Drilling's unconventional ambitions** through low cost, high reliability solution
- **Support Gordon Technologies** business growth

Notes: 1) Total patents, granted and pending; 2) 25% equity value of USD 180m includes stake adjusted net cash of USD 15m, resulting in an 100% Enterprise Value of c. USD 660m; USD 8m of the consideration is deferred and is expected to be paid in 2Q 2024;

# GORDON FULLY MAPPING THE JV'S INVESTMENT CRITERIA

COMBINATION OF STRATEGIC, FINANCIAL AND DEAL PARAMETERS TO ENHANCE SHAREHOLDER VALUE

JV

## Business Criteria

**Strategic / synergistic** sub-sector focus

**Proven** business model

**Own IP** with tangible differentiation

**Global** acquisition mandate

**Proven MENA use cases** with high probability of revenues in MENA

**High ADNOC Drilling Potential** to aid value creation

## Financial Criteria

**Positive Earning Profile** (EBITDA & FCF)

**Attractive Entry Valuation** vs. peers

**Standalone Deal Underwriting** with tangible upsides

**High Dividend Potential** with low leverage

**Multiple expansion potential** combining entry dynamics and value upsides

## Governance Criteria

**Majority** or pathway to majority deals

**Vested Management** team with continuity certainty and alignment

**Board Participation** and rights in line with stake acquired

**No turnaround** strategies

GORDON  
TECHNOLOGIES

**US-based leading provider of MWD technology**

**Tangible differentiation** with 1.5-2.0x industry reliability<sup>1</sup> metrics

**US business with high unconventional application and MENA earnings potential**

**Demonstrated revenue and EBITDA growth** of c. 3x and > 4x respectively from pre-COVID levels in FY19 with revenue of USD 230+ million<sup>2</sup>

**Accretive margin profile** vs ADNOC Drilling OFS

**Entry valuation** of <7x EV / FY2023E EBITDA<sup>3</sup>

**Attractive free cash flow yield** of +10%<sup>4</sup> / nil leverage

**Dividend expectation** of +5.0% yield<sup>5</sup>

**Strong founder led management** with sizeable stake in the business

**Value accretive M&A experience** evident from acquisition of Noralis and Paisano across the value chain

Notes: 1) Based on "Mean Time Between Failures" data as per Gordon Management; 2) Based on expected FY23 results; 3) 25% equity value of USD 180m includes stake adjusted net cash of USD 15m, resulting in an 100% Enterprise Value of c. USD 660m; USD 8m of the consideration is deferred and is expected to be paid in 2Q 2024; 4) Free Cash flow yield is based on free cash flow post capex as a % of the transaction equity value; 5) Subject to inorganic plans

# TANGIBLE VALUE CREATION PLANS

MAXIMISING POTENTIAL THROUGH MUTUAL SUPPORT TO ENHANCE VALUE FOR ALL STAKEHOLDERS

## Portfolio Company Value Enhancement

| Building on strengths  | Middle East Access   | Strategic Partnership   |
|--|--|---|
| <p><b>Support portfolio company growth strategy</b> by building on technological and financial strengths</p> | <p>Evaluate and <b>enable Abu Dhabi / Middle East application and expansion</b>, including ADNOC Drilling generating USD 500-550m<sup>1</sup> in annual OFS revenues</p> | <p><b>Strategic partner to portfolio companies in development and testing</b> of new products and technologies given ADNOC Drilling's fleet reaching 142<sup>1</sup> rigs in 2024</p> |

## ADNOC Drilling Value Enhancement

| Offering Diversification  | Futureproofing business  | Technology owner and enabler   |
|---|--|--|
| <p><b>Diversifies ADNOC Drilling's technology offering</b> providing efficient and superior optionality</p> | <p><b>Building technological supply chain and IP for key well value chain</b> enables ADNOC Drilling to <b>futureproof its business</b> from supply chain disruptions and future market trend globally</p> | <p>Convert ADNOC Drilling from technology consumer to a <b>technology owner and enabler</b>, to support its integrated offering and unconventional development</p> |



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# THANK YOU

[www.adnocdrilling.ae](http://www.adnocdrilling.ae)

[ir@adnocdrilling.ae](mailto:ir@adnocdrilling.ae)



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# APPENDIX



# NOW PRESENTS A UNIQUE OPPORTUNITY

ATTRACTIVE MACRO-ECONOMIC SITUATION AND DEAL DYNAMICS

## Global Demand Outlook

### Continued forecast for population and energy demand

Requiring O&G to play a key role as part of the energy supply as renewable capacities are built-out and tested

### Positive O&G demand outlook

Based on consensus from several market analysts, despite pace in EV transformation / renewable adoption given the limited alternatives for commercial fuel, chemicals and other O&G applications

## Cycle Outlook

### Clear decoupling of Oil Price and Rig Count in the US

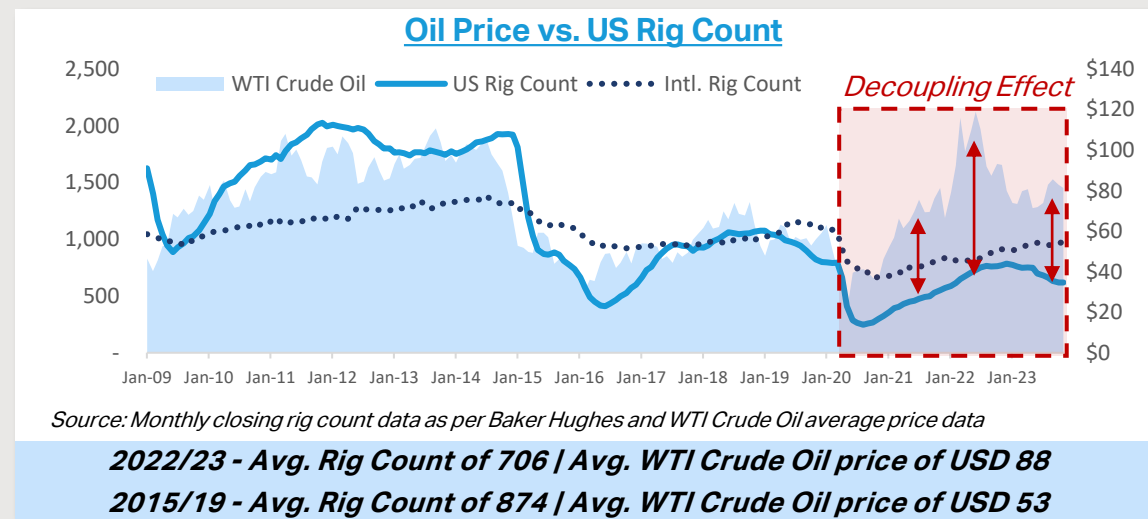
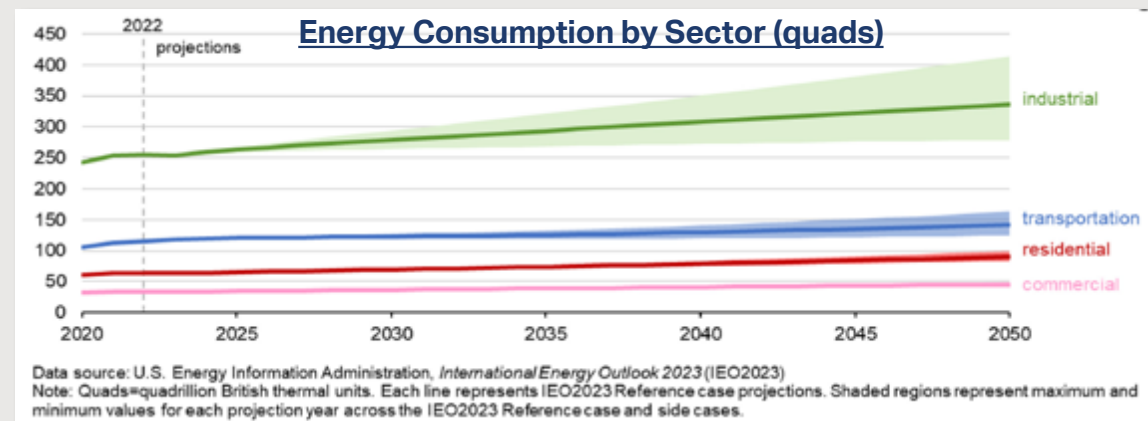
driven by E&P financial discipline rather than capex dumping resulting in non-peak OFS company performance in 2022/2023

### Lack of private capital for the O&G sector globally

resulting in attractive private market deal dynamics with most of the current pipeline transactable at 4x-7x EV/EBITDA<sup>1</sup> multiples

### More stable international / MENA rig count

to support earnings stability for the acquired companies through cycles thereby paving way for potential value unlocking



Notes: 1) Represents either LTM / NTM multiples depending on the transaction

# GORDON TECHNOLOGIES VALUE PROPOSITION

UNDERPINNED BY CUSTOMER CENTRICITY, MARKET LEADING RELIABILITY AND PATENTED OFFERING

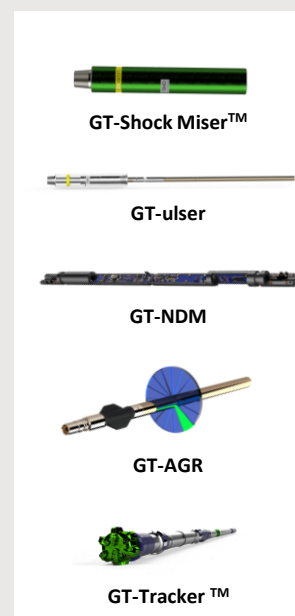
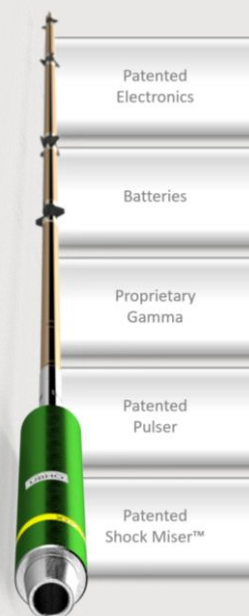
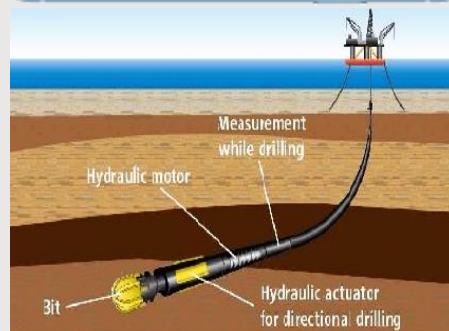
## Business Overview

Gordon Technologies is a US-based provider of MWD technology, operating through a unique Original Equipment Manufacture + Servicing business model with vertically integrated tool and electronics facilities

Blue-chip customers:



## Product Overview



## Gordon Value Proposition

- 1 Twelve patented product offerings<sup>1</sup>** supporting technology superiority and creating long term moat around the business
- 2 Quick customer response time** through integrated business model of engineering, operations and servicing  
*3.5x growth in deployed tools over the past 5 years, indicating positive client acceptance*
- 3 Leading MWD reliability** with high data transfer rates  
*High Temperature "Mean Time Between Failures" of 2,270 hours vs. US Industry average of 1,000 hours*
- 4 Low-cost MWD development** from vertically integrated offering  
*Development cost reduced by +20% over the past 2 years*
- 5 Highly Focused Research and Development** resulting in continuous upgrades to product performance and new offerings  
*Several new offerings in pipeline thereby expanding offering portfolio, including RSS<sup>2</sup> inter operability*

Notes: 1) Total patents, granted and pending; 2) Rotary Steerable Systems

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# TAILORED JV GOVERNANCE STRUCTURE

ENABLING RESPONSIBLE AND EFFICIENT DECISION MAKING

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## Key Highlights

JV Shareholders



51%

49%

**Equity Accounting for Shareholders** – From Q1 2024

Board Representation



3 members

3 members

**Equal Representation** – Intent to maintain the JV's governance and operational independence

Investment / Other Decisions



Joint

Joint

**Joint Control Structure** - Appropriate balances to ensure benefits of strategic and financial considerations

**Lunate**

**Advisory Agreement** to support the JV in strategy execution

**Experienced Investment Manager** - Support in the management of the JV on origination, execution, portfolio management

*Commercial engagement between shareholders and portfolio companies governed on an arm's length basis*