

A large yellow and teal oil pumpjack (jack-o'-lantern) is the central focus of the image. It features a long yellow walking beam supported by a teal frame. The background shows a cloudy sky and other similar structures in the distance. A semi-transparent blue banner is overlaid across the middle of the image, containing the title and date.

Brunswick Group 2nd Annual U.S. Oil & Gas M&A Survey

March 2016

Methodology

The background of the slide is a photograph of an offshore oil rig in the middle of the ocean. The rig is a complex of metal structures, including a platform and a derrick. In the far distance, a city skyline is visible through a hazy, blue-tinted atmosphere. The water in the foreground is dark and has small waves.

Brunswick Group surveyed 106 bankers, lawyers, industry advisors, investment managers, and analysts specializing in the energy sector.

The survey was conducted online, between January 11-28, 2016.

Executive Summary

The level of M&A in the oil & gas sector is expected to increase – 62% of respondents are predicting this increase, a 10 percentage point jump up from last year's survey. Key drivers of these deals are expected to be falling energy prices, distressed sales, and bankruptcies.

A majority of respondents, including most of those who see M&A in the sector decreasing, say the current regulatory environment will constrain global M&A activity. This is compared to just one-third who see the regulatory environment as an enabler of more M&A.

Even with the steep drop in crude oil prices over the previous year, three-fourths of respondents say crude oil is more likely than natural gas to experience a recovery in pricing.

When it comes to the deals driving M&A in the sector, nearly eight-in-ten foresee domestic transactions among strategic buyers as the more common type of deal, with just 7% attributing most M&A deals to foreign acquirers into the U.S.

When considering foreign acquirers, however, a plurality expect Asia to do the most deals in the sector, followed closely by the Middle East and Europe.

The perceived role of activist investors remains the same year over year; nearly six-in-ten see activist investors playing a role in driving M&A activity, only a slight drop from last year.



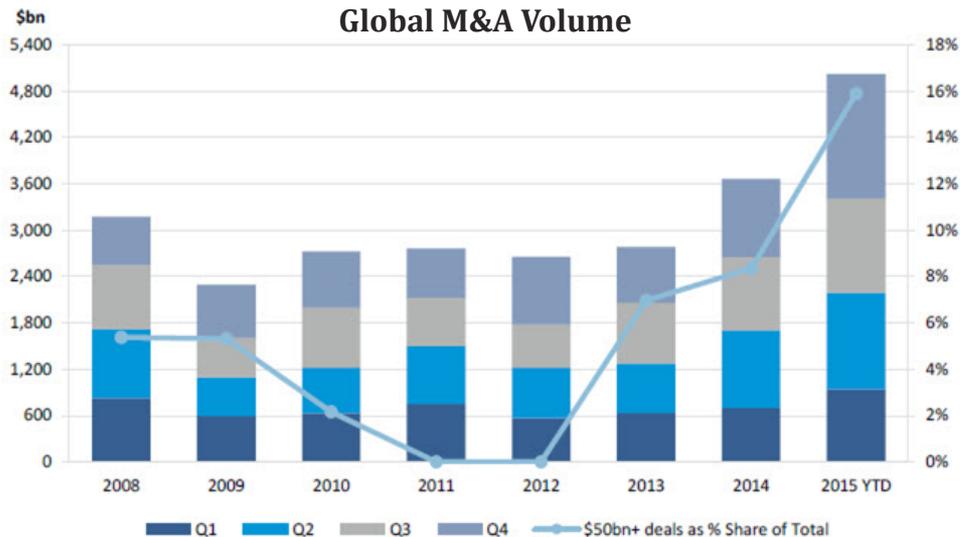
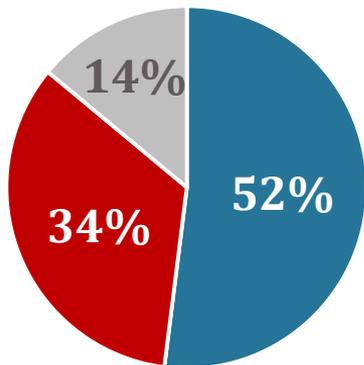
Setting the Scene



What Does This Mean for 2016?

In 2015, Global M&A increased for the third year in a row, up 37% from 2014

...% of respondents in 2015 who **predicted an increase in M&A** in the oil & gas sector





Setting the Scene

Thoughts toward future M&A in the sector may be clouded by plummeting oil prices





Challenging M&A Market

According to a recent PwC report, M&A in the oil and gas industry reached the lowest levels of fourth quarter deal activity in five years

During the last 3 months of 2015, there were **42** deals accounting for **\$31.6** billion, compared to **70** deals worth **\$103.4** billion in the last three months of 2014.

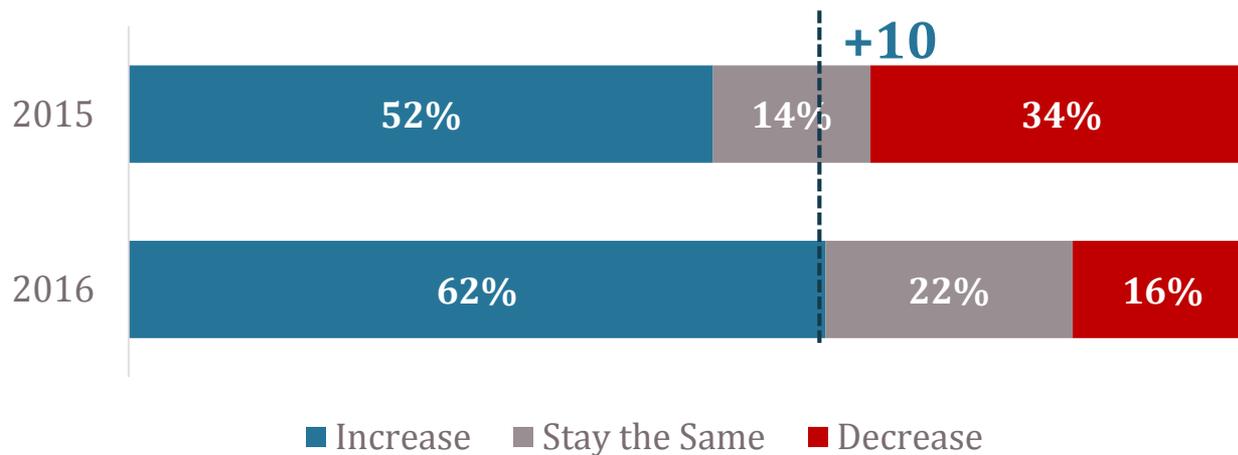
“For M&A activity to resume at a reasonable pace, it will take buyers who are patient and have long-term perspective on the potential value of the assets while it will take some motivation from sellers who have few other liquidity options and are able to get reasonable value under the circumstances.”



Survey Key Findings



Despite A Troubled Market...
...a majority of respondents expect the level of M&A in the oil & gas sector to increase



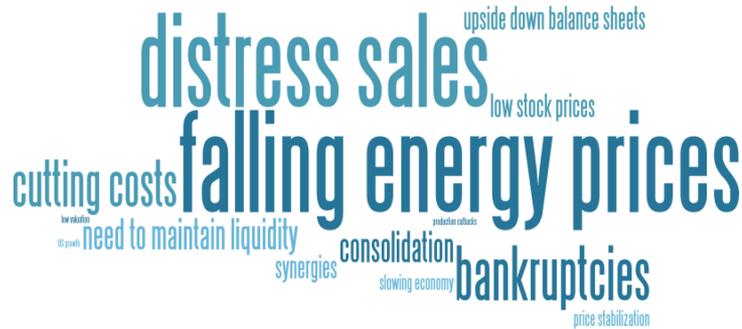
Question: In 2016, do you expect the level of M&A activity in the U.S. oil & gas sector to...



What's Behind M&A Perceptions?

Falling oil prices are a key driver when it comes to expected M&A activity

Drivers of *increased* M&A activity



Drivers of *decreased* M&A activity



...% of energy company CFO's who "feel worse about their company's access to capital"

Source: BDO USA Energy Outlook Survey

Question: What, in your opinion, will be the biggest driver of increased/decreased M&A activity in the U.S. oil & gas sector?



Regulatory Environment

A majority see the current regulatory/anti-trust environment as reducing global activity

...% who see **the current regulatory environment** as **reducing** global M&A activity



...% who see **the current regulatory environment** as **increasing** global M&A activity

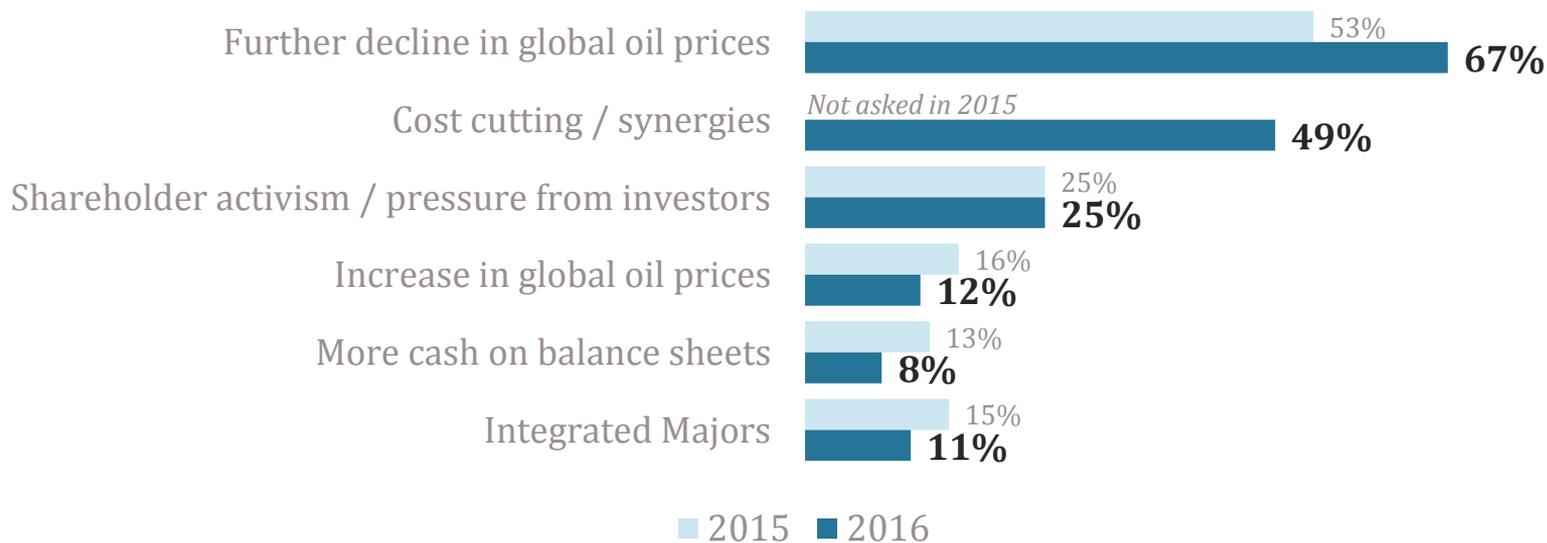
71% respondents who see M&A in the oil & gas sector **decreasing** say the current regulatory environment is **reducing** global M&A activity

32% respondents who see M&A in the oil & gas sector **increasing** say the current regulatory environment is **increasing** global M&A activity



Falling Oil Prices

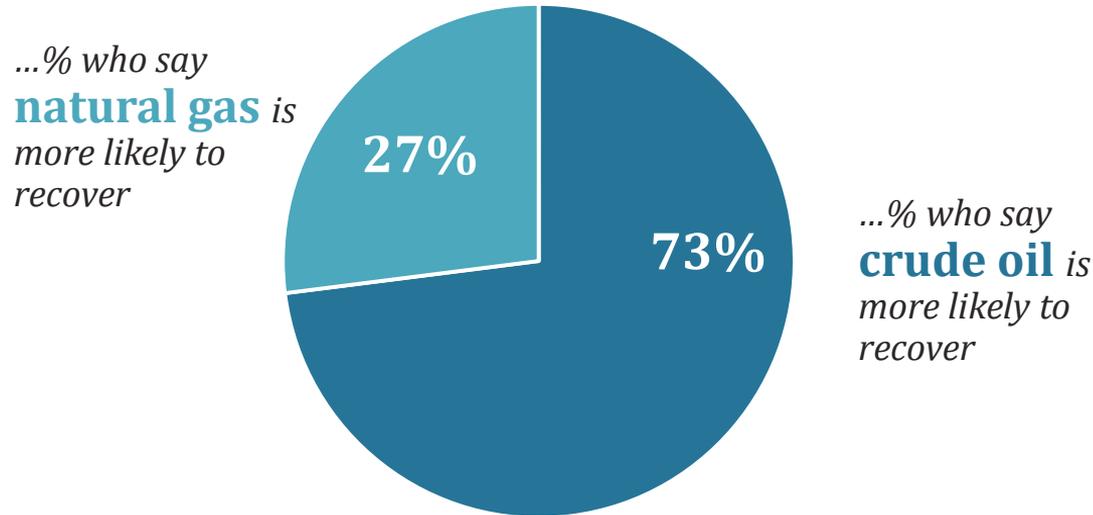
Similar to sentiments in 2015, respondents today feel that lower oil prices will drive M&A



Question: What are the key factors that will drive oil & gas sector M&A in 2016?

Crude Will Recover

Three-fourths say the price of crude oil is more likely to recover in the next year

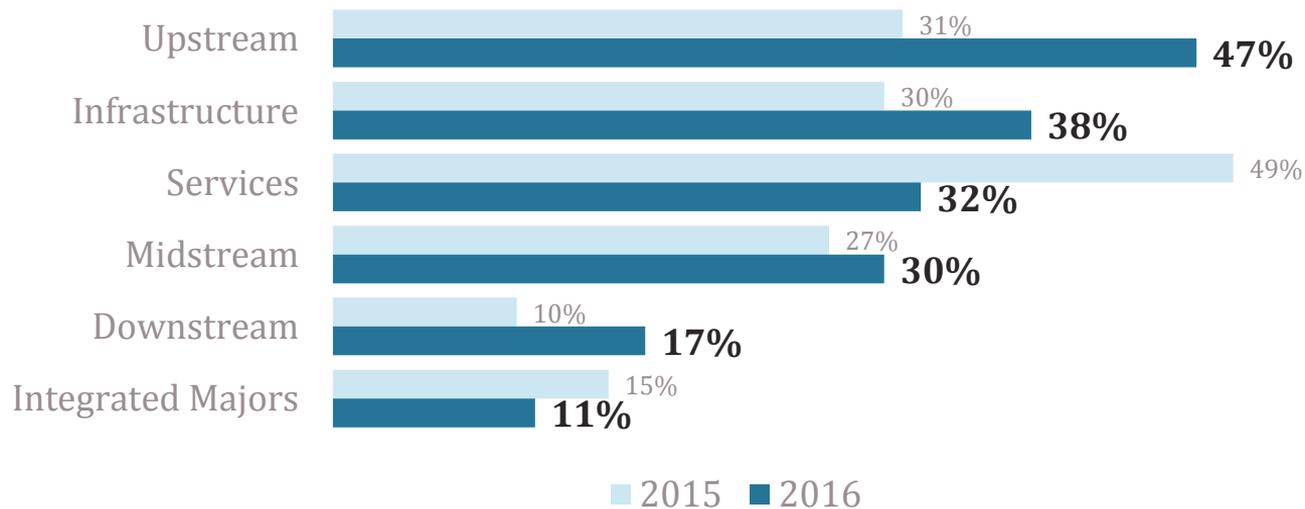


Question: One year from now, which commodity is more likely to have experienced a recovery in pricing?



Top Targets for M&A

Upstream takes the top spot from Services as the top target for M&A in 2016



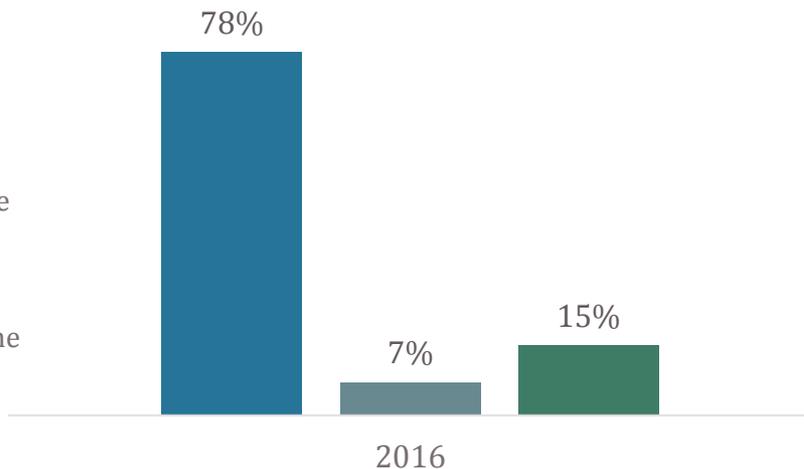
Question: Which segments of the oil & gas sector do you expect to be the main targets for M&A in 2016? Please select all that apply.



Deals Driving M&A

A strong majority feel that domestic transactions will drive M&A in the sector over the next year

- Domestic transactions among strategic buyers
- Foreign acquirers into the U.S. ("inbound")
- U.S. acquirer outside of the U.S. ("outbound")

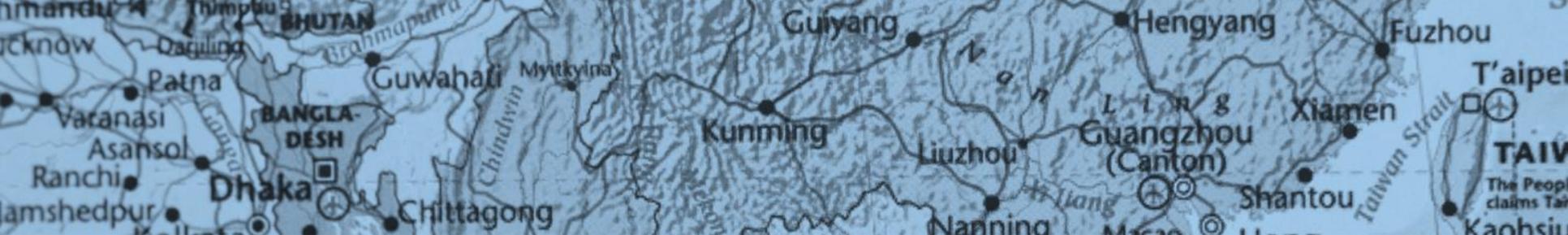


49%

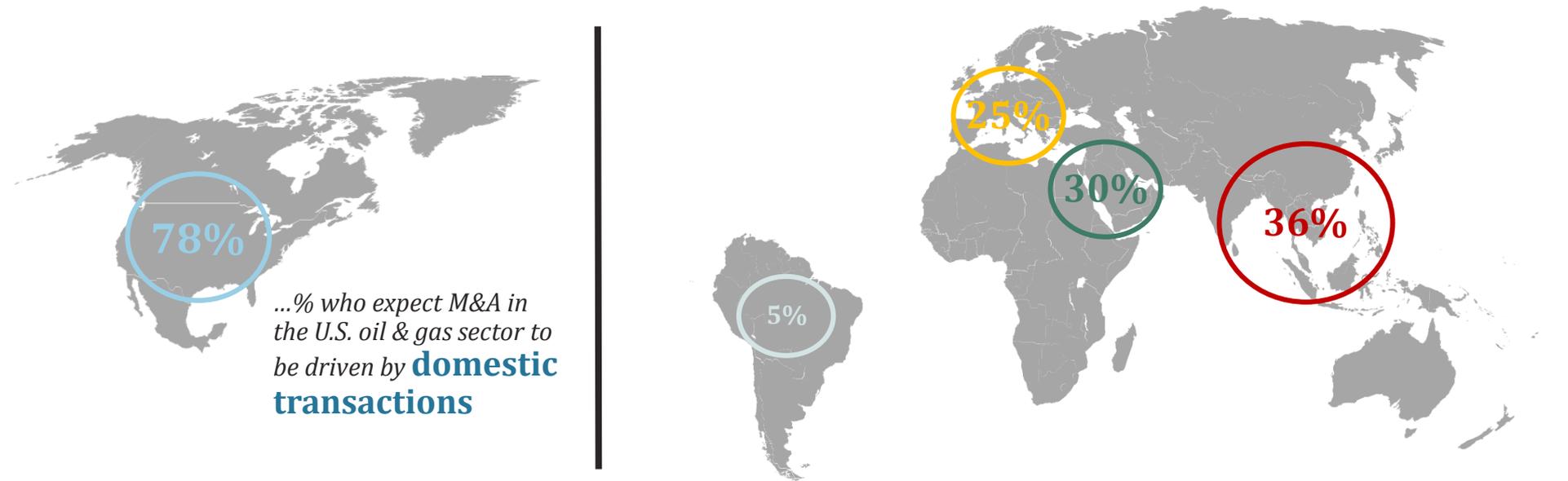
...% of business professionals who say
North America
will be the top M&A market for their organizations

Source: [Deloitte December 2015 poll](#)

Question: What type of deal do you expect to drive M&A in the U.S. oil & gas sector in 2016?



Foreign Acquirers
Fewer respondents expect foreign acquirers from Asia, and more from the Middle East and Europe

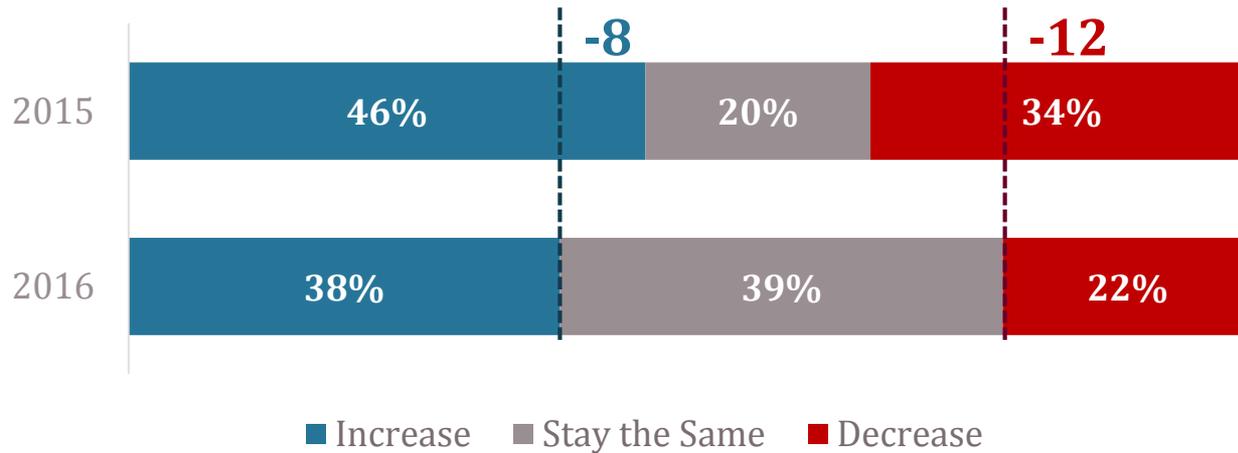


Question: From what ONE region do you anticipate the MOST foreign acquirers into the U.S. oil & gas sector to come in 2016?



Status Quo

More respondents today see the level of corporate spinoffs and divestitures staying the same



Question: In 2016, do you expect the level of corporate spinoffs and divestitures in the U.S. oil & gas sector to....



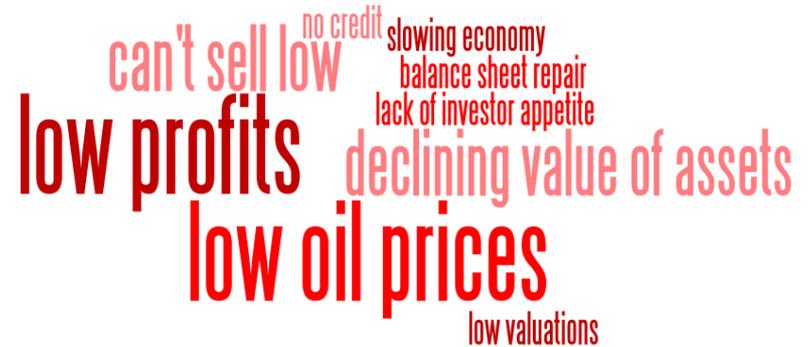
Gold and Oil

The need for capital, or a lack of, and low oil prices are behind the level of spinoff activity

Drivers of *increased* spinoffs & divestitures



Drivers of *decreased* spinoffs & divestitures

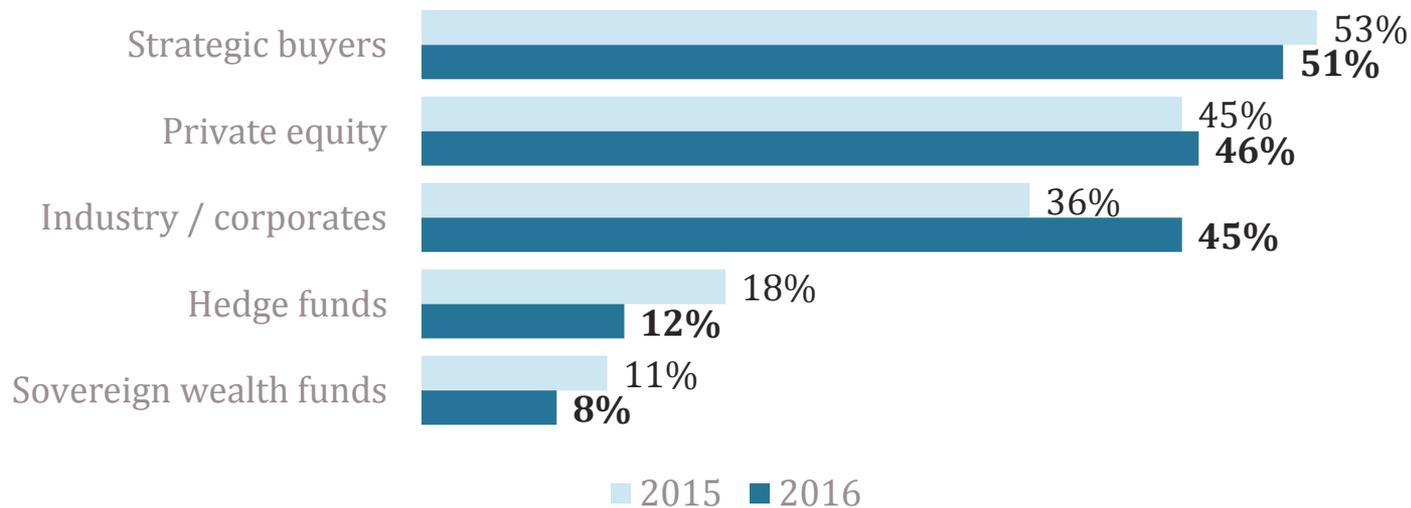


Question: What, in your opinion, will be the biggest driver of increased/decreased spinoffs and divestitures in the U.S. oil & gas sector?



Active Buyers

Strategic buyers are expected to be the most active in the U.S. oil & gas sector, similar to 2015

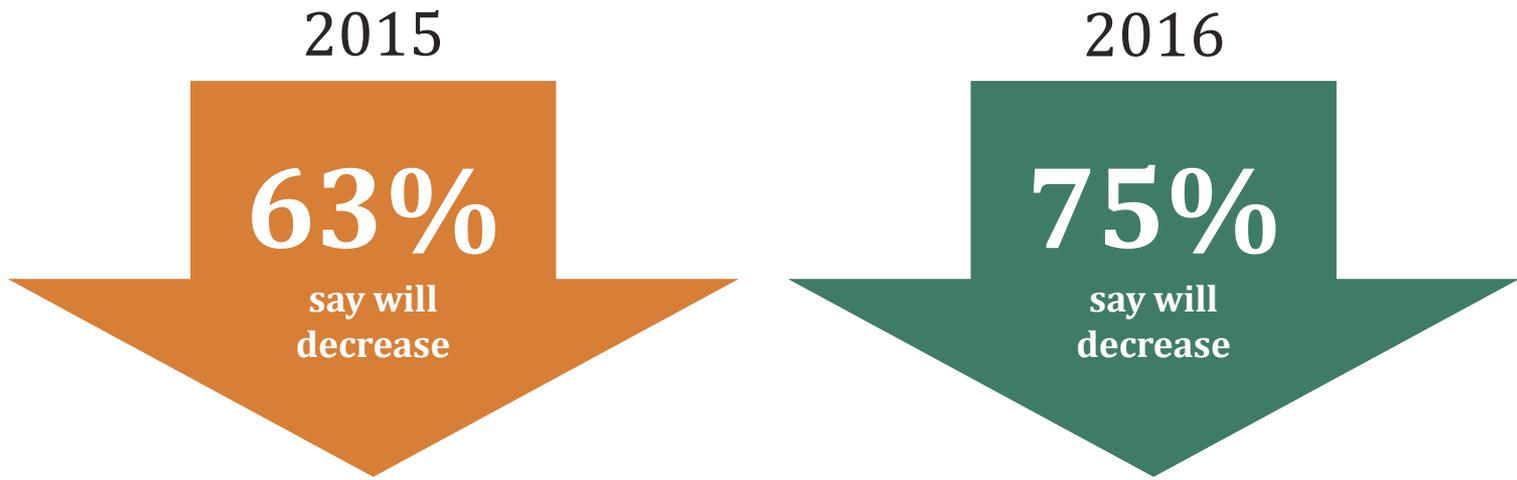


Question: In 2016, which of the following types of buyers do you expect to be MOST active in M&A in the U.S. oil & gas sector? Please select all that apply.



Master Limited Partnership Transactions

A strong majority feel MLP transactions and new equity listings will decrease

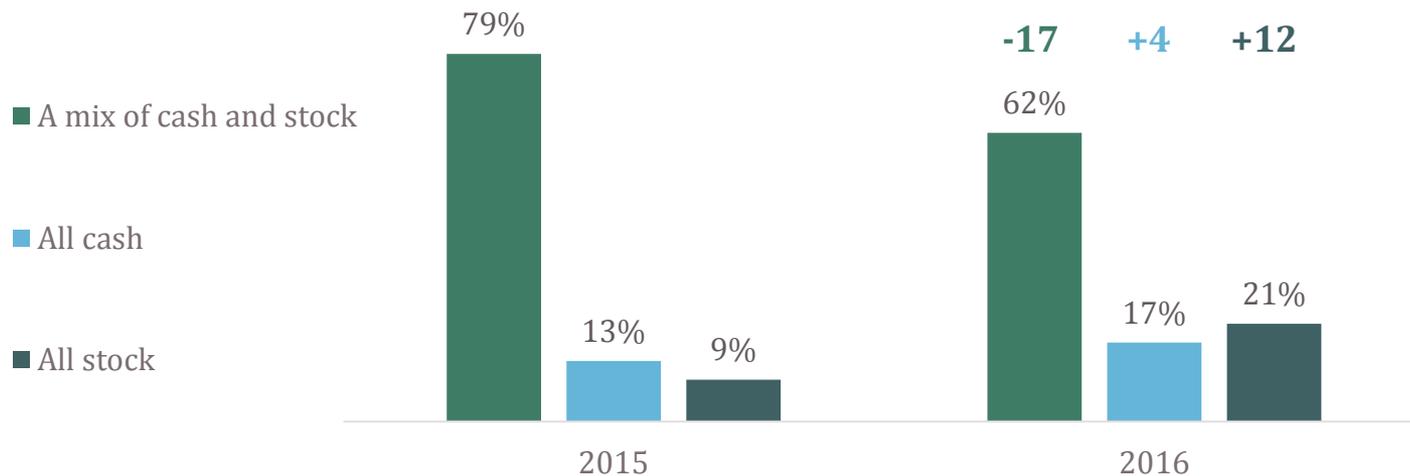


Question: Do you expect to see activity in Master Limited Partnership transactions and new equity listings in 2016 to...

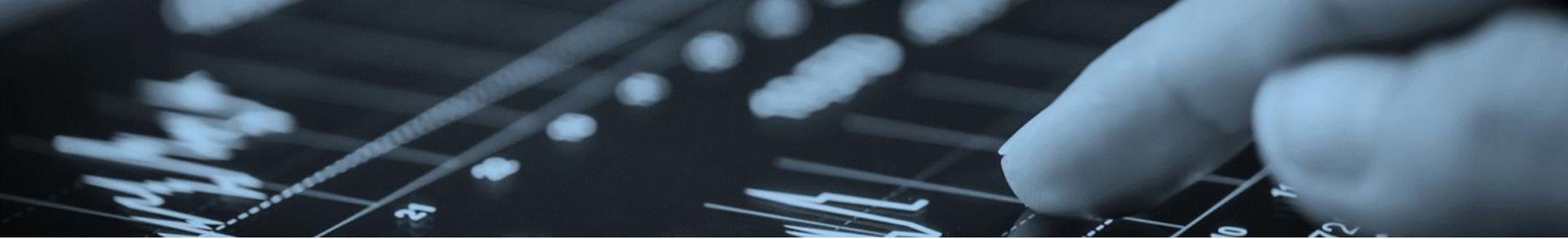


Deal-Making

Respondents still see a mix of cash and stock as the way most deals will get done

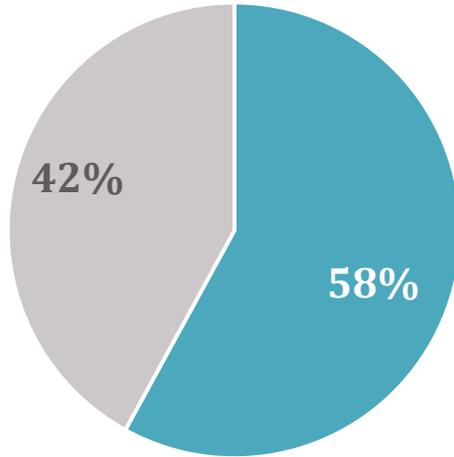


Question: In 2016, do you expect to see more deals using....

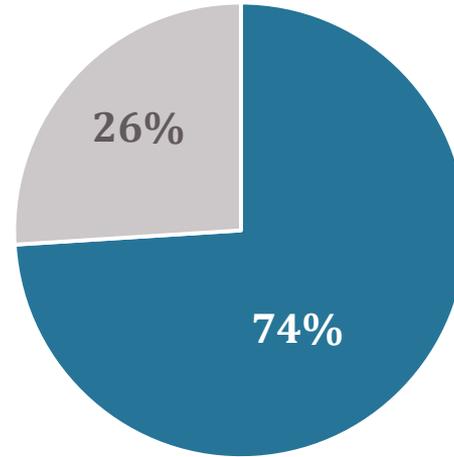


Role of Activist Investors

Nearly six in ten see activist investors playing a role in M&A activity



...% who see **activist investors** playing a role in driving M&A activity



...% who see **activism** as adding value for companies by pushing management to make hard decisions

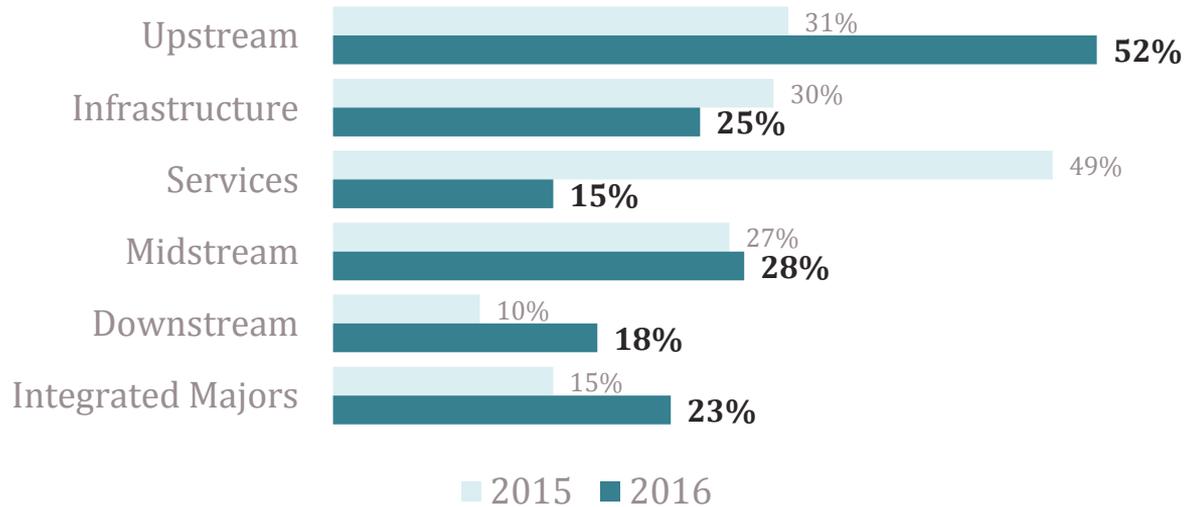
Question: In 2016, do you see activist investors playing an active role in driving M&A activity?

Source: Brunswick Insight survey of 801 U.S. retail investors, June 2015



Role of Activist Investors

Half of respondents see Upstream as the segment most ripe for activist involvement



Question: In which segments of the sector do you see activists being most active?

