



# Fourth quarter 2019

Axxis Geo Solutions

Lee Parker, CEO and Svein Knudsen, CFO

26 February 2020

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# Agenda

## 1. About AGS

2. Highlights

3. Financials

4. Operations and outlook



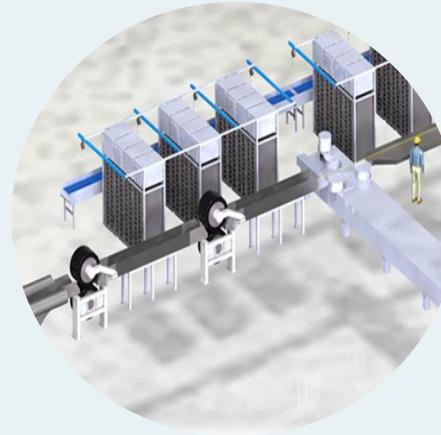
# Axxis Geo Solutions in brief

- An ocean bottom node (OBN) seismic service company
- Multi-client and contract seismic
- Experienced management and organizational core
- Headquarter at Lysaker, Norway
- Listed on Oslo Axess (ticker AGS)

## Axxis Geo Solutions' competitive edge in the OBS market



**Asset light model**



**Core competence & proprietary technology**



**Operational excellence**

# Flexible and cost efficient asset light leasing model



## Vessels

- Flexibility on vessel type and capacity
- Adjust fleet capacity to survey backlog
- Avoid seasonal utilization discrepancies



## Nodes

- Lease nodes based upon demand
- Multiple node suppliers can be used
- Enabling use of latest technology

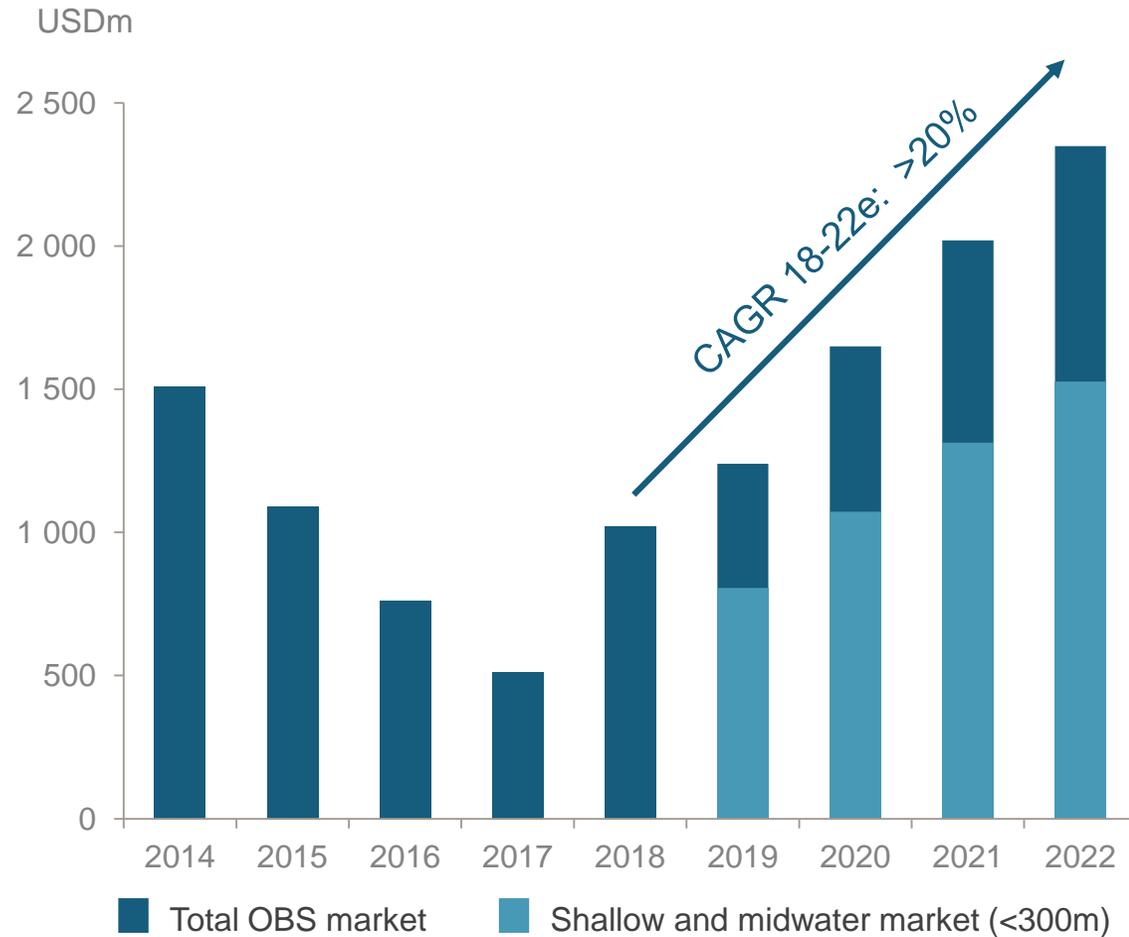


## Crews

- Possible to adjust number of crews
- Flexibility proven in the North Sea
- Using crews with node handling experience

**Cost base closely linked to utilization and activity level**

# Strong market forces driving OBS market growth



- Rapidly growing USD >1 billion OBS market
- Shallow and midwater – 60-70% of the OBS market
- Demand for high resolution data
- OBS cost coming down driving demand increase
- An attractive alternative to “high-end” towed streamer seismic

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# Q4 Highlights

## Contract signature delay

- Completed Utsira Multi-client survey with TGS
- Upgraded and tested Nodal handling systems
- Mobilized Neptune Naiad to Brazil to start source operations for the Company's Brazil campaign
- Mobilized to Malta awaiting contract start in Egypt, Gulf of Suez
- Final LOA for work program in Egypt received 30 December 2019
- Started mobilization from Malta to Egypt end of Q4



Neptune Naiad crew

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# AGS reporting going forward

## Segment reporting (internal reporting)

- Gives a conventional representation of underlying operational performance and value creation
- Percentage of completion method for multi-client
- Presentations from AGS will mainly focus on segment reporting
- The investor community, including analyst, focus on segment reporting

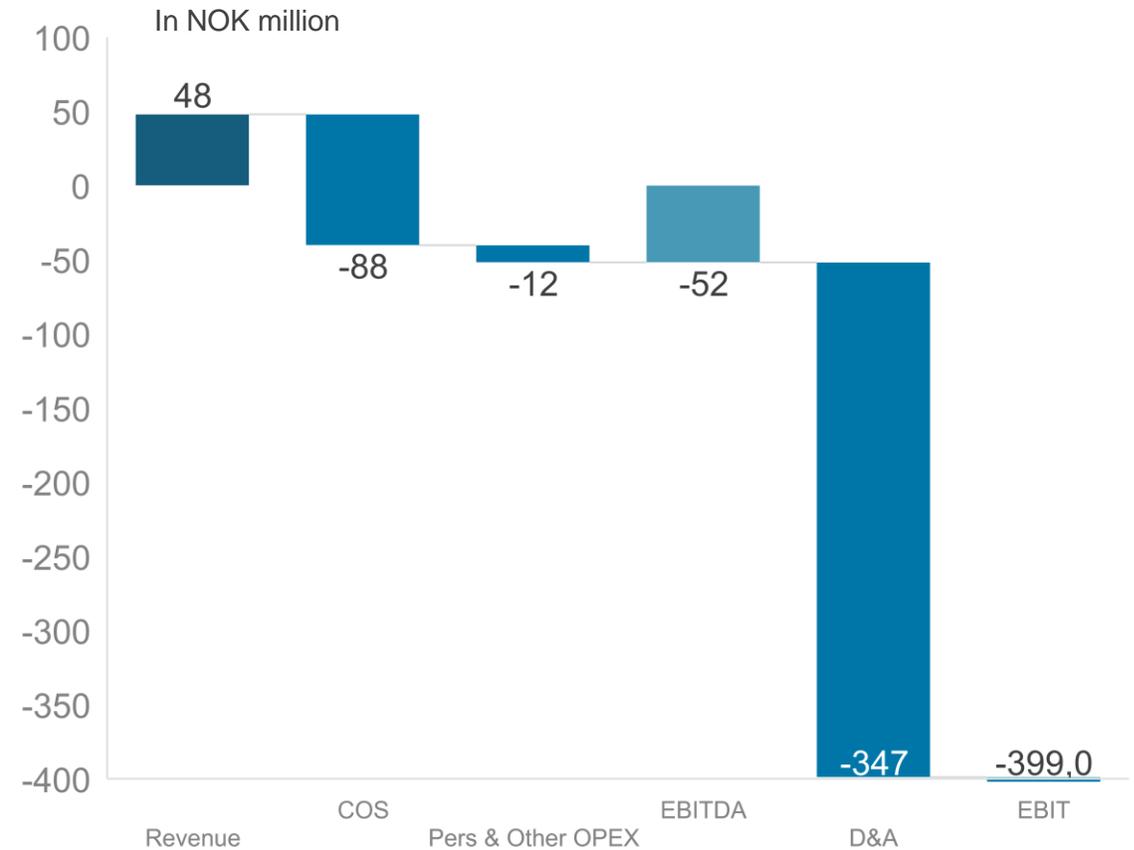
## IFRS reporting

- Due to IFRS15 revenue recognition, revenues related to multi-client projects are postponed until projects are ready to be delivered to customers
- No amortization until completion of the project including data processing
- Late sales from completed projects will not be affected
- IAS 34 require IFRS reporting in the quarterly interim reports

# Fourth quarter segment financial review

- Revenues mainly driven by the Brazilian contract of NOK 35 million and pre-funding from multi-client program at Utsira of NOK 12 million
- Cost of sales related to Brazil contract work and waiting in Malta for the Egypt project
- EBITDA of negative NOK 52 million
- Write down of multi-client library of NOK 308 million, goodwill of NOK 11 million and lost equipment of NOK 5.8 million
- EBIT of negative NOK 399 million

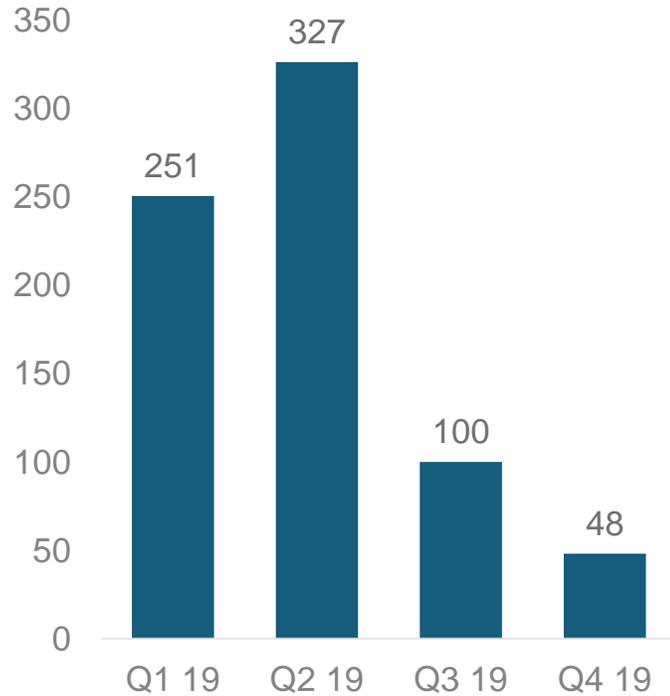
## Fourth quarter Segment P&L



# Financials segment overview

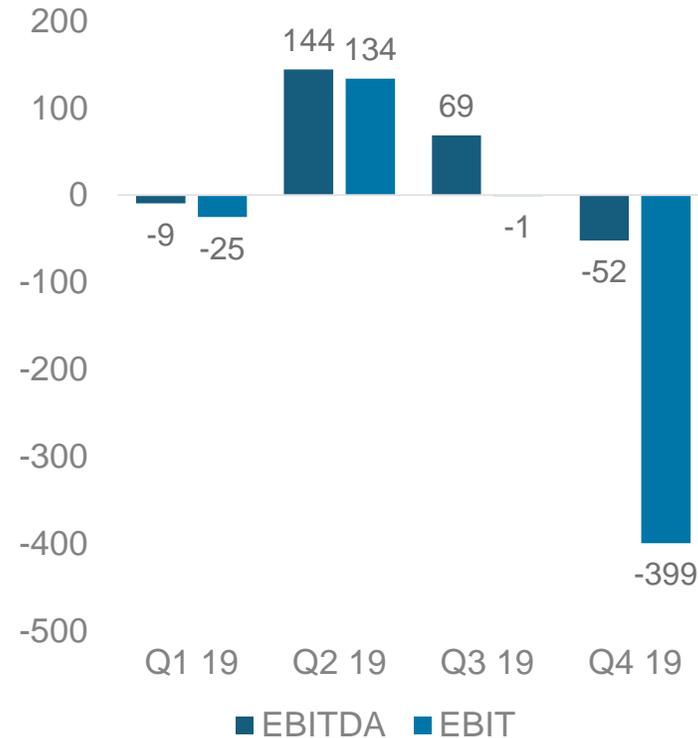
In NOK million

## Revenue



In NOK million

## EBITDA and EBIT



## Sequential performance

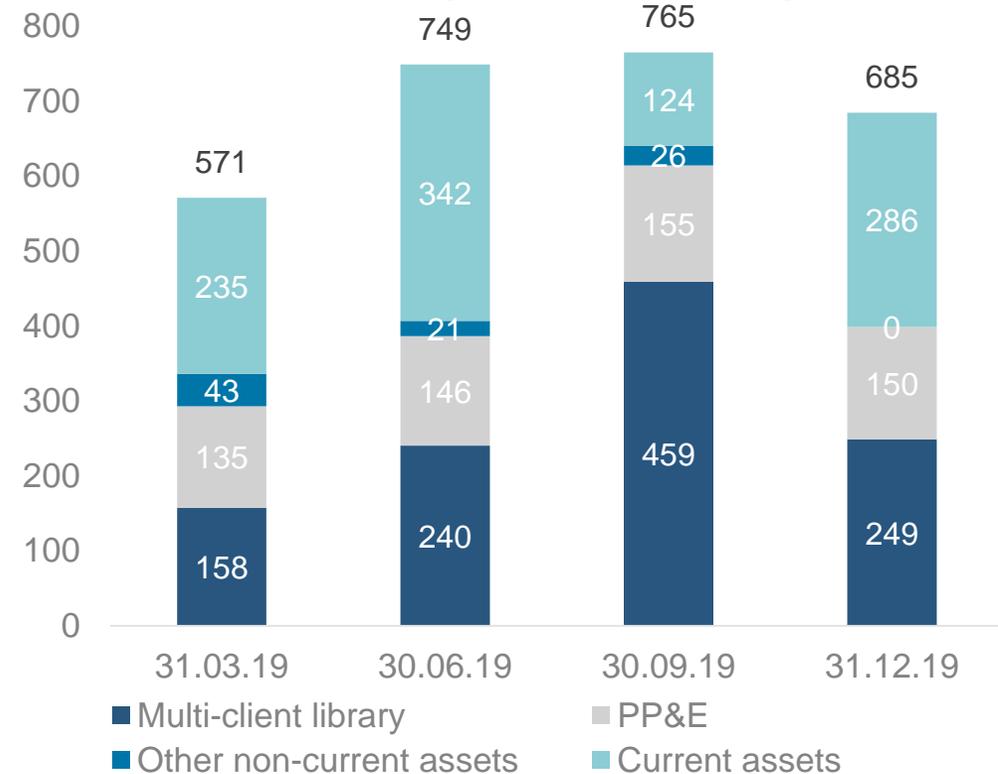
- Segment revenue derives from both contract and multi-client activity
- Extra ordinary write down of goodwill and multi-client library
- High level of fluctuation quarter by quarter

# Financing and segment financial position

- Investments in multi-client library in fourth quarter of NOK 107 million, write down of NOK 308 million
- Investment in node handling system of NOK 13 million
- Other non-current assets – zero as of December;
  - Goodwill written off, deferred tax asset reversed and sale of financial assets during the quarter
- Total current assets of NOK 286 million:
  - Account receivables of NOK 108 million
    - NOK 86 million related to self-assessment of VAT, paid in Feb 2020
  - Accrued revenue of NOK 104 million
    - Mobilization revenue NOK 54 million, Processing revenue MCL NOK 35 million, Brazil revenue NOK 16 million
  - Other current asset of NOK 54 million
    - Capitalized mobilization cost of NOK 44 million

In NOK million

## Assets position - Segment reporting

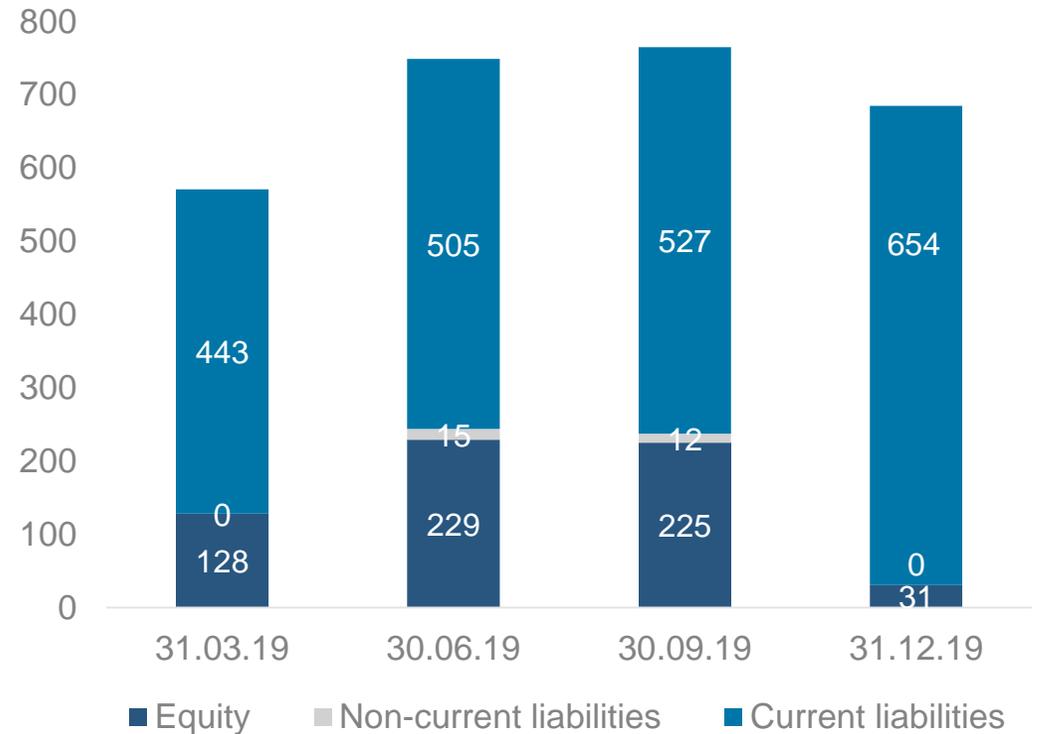


# Financing and segment financial position cont.

- Equity net of NOK 31 million
- Non-current liabilities zero as of December
  - Interest bearing debt reclassified to short-term debt
- Total liabilities of NOK 654 million:
  - Account payable of NOK 366 million
  - Interest bearing debt of NOK 20 million
  - Other current liabilities of NOK 267 million
    - NOK 83 million related to self-assessment of VAT, paid in Feb 2020
    - Deferred mobilization revenue of NOK 54 million
    - Accruals and deferrals on project cost and taxes of NOK 72 million
  - TGS credit Utsira of NOK 57.8 million

In NOK million

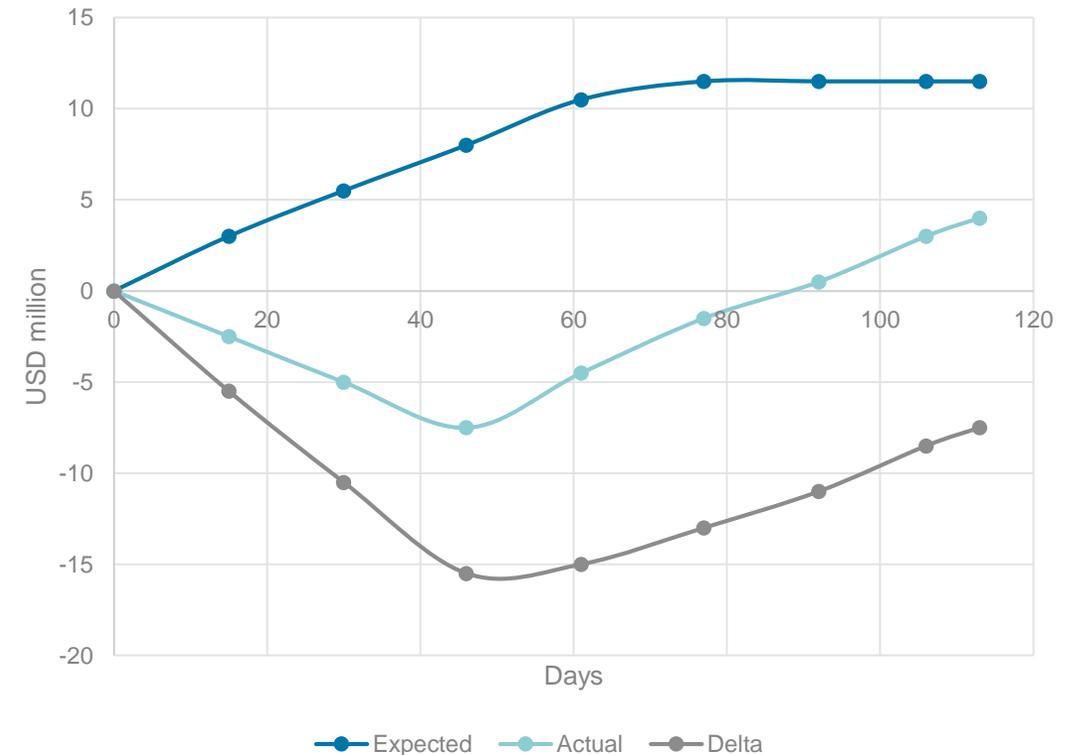
## Equity and liabilities - Segment reporting



# Project delay mitigation measures

- Secure the contract and associated positive cash flow
- Agreed payment plans with fuel suppliers amounting to USD 4 million
- Payment plans of approx. USD 25 million with all larger suppliers of which USD 15 million is expected to be converted to long-term debt
- Will approach residual suppliers for payment agreements
- Plan requires for bank and debt waivers

Difference between expected and actual change in working capital



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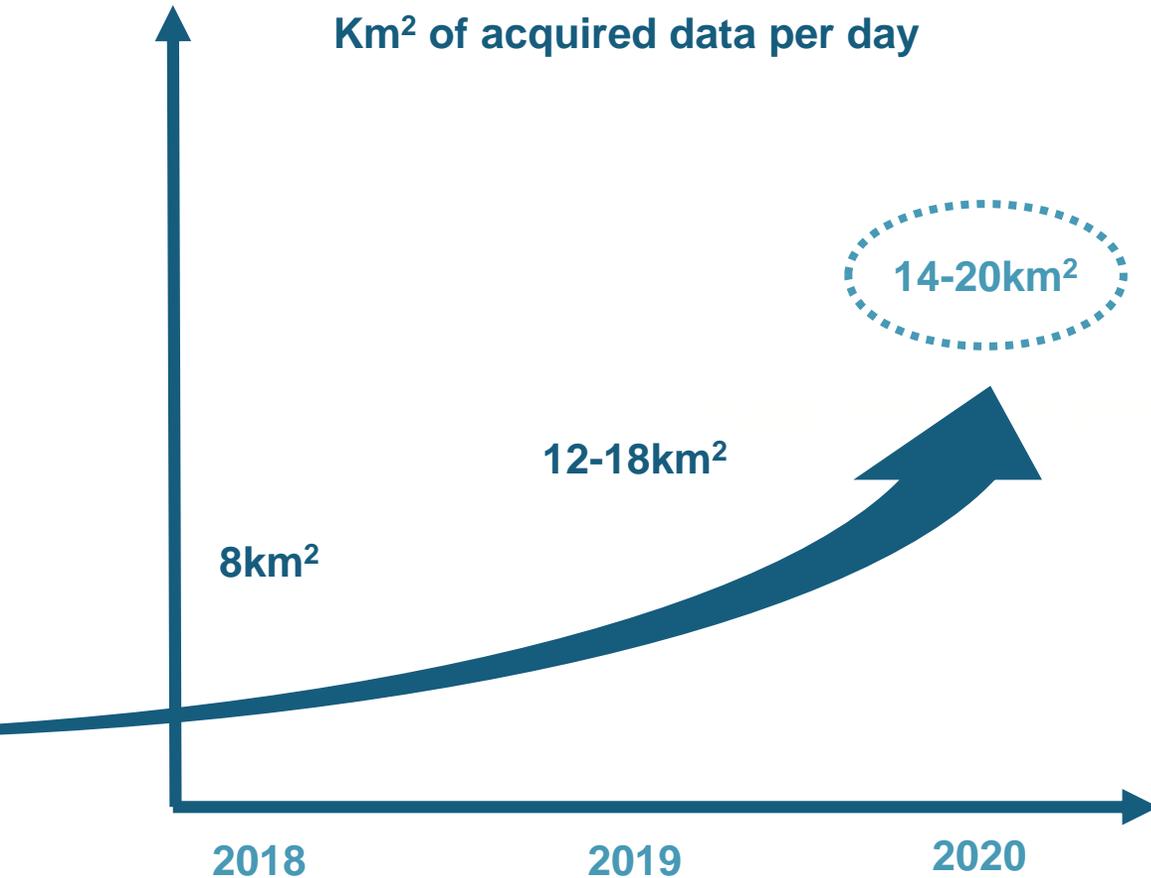
4. Operations and outlook



# Mobilized to Egypt, Gulf of Suez Q4-Q1 project

- Contract letter of award 30 December
- The survey commenced early January after testing completed
- Requires modern OBN imaging and processing techniques to unlock further hydrocarbon potential
- The area is well known to AGS management and is expected to yield future opportunities
- Important commercial milestone in AGS history, significantly improving backlog visibility

# Step-change in productivity



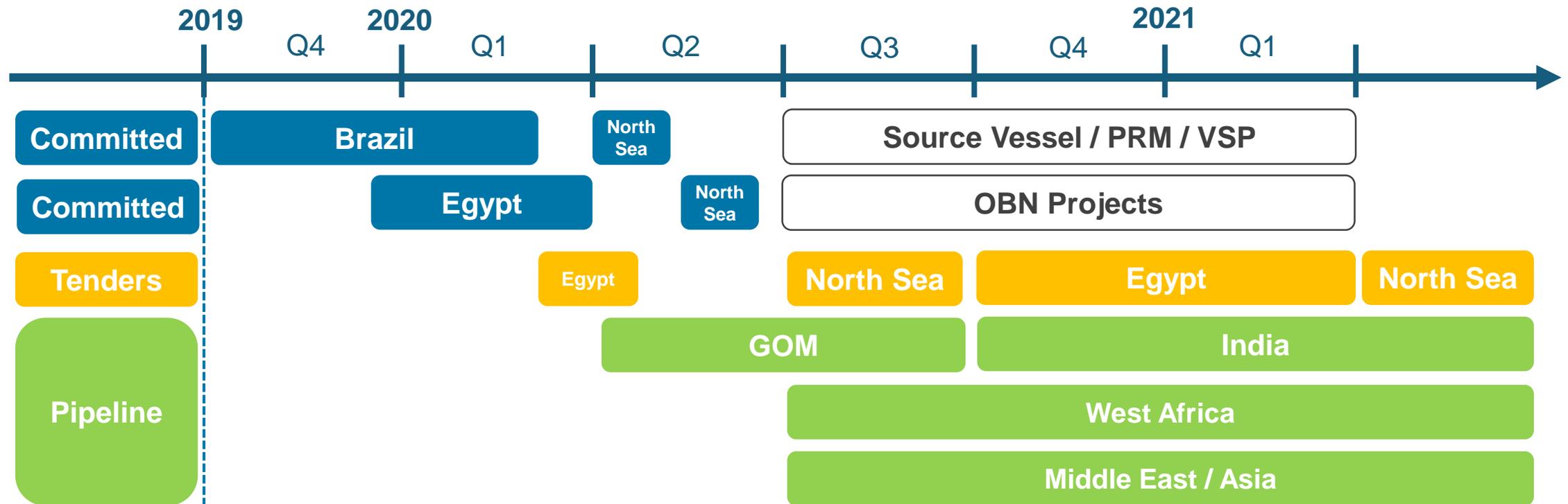
## Utsira 3D OBN productivity

- Record productivity in source and receiver operations
- Safe operations with technical down time on nodal operations of only 1.2%
- Possible to move up to 24km<sup>2</sup> of high-density receiver spread per day

## Improvements since 2018

- 50% efficiency gain with triple-source acquisition
- > 20% organic productivity increase compared to 2018
- Node handling system refinements

# Backlog and outlook



~ USD 38 million backlog as of Q4

and ~USD 900 million tenders / pipeline 2020 / 2021

# Q&A

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