



OIL & GAS

Oil and Gas

Winners and Losers of the Credit Crunch

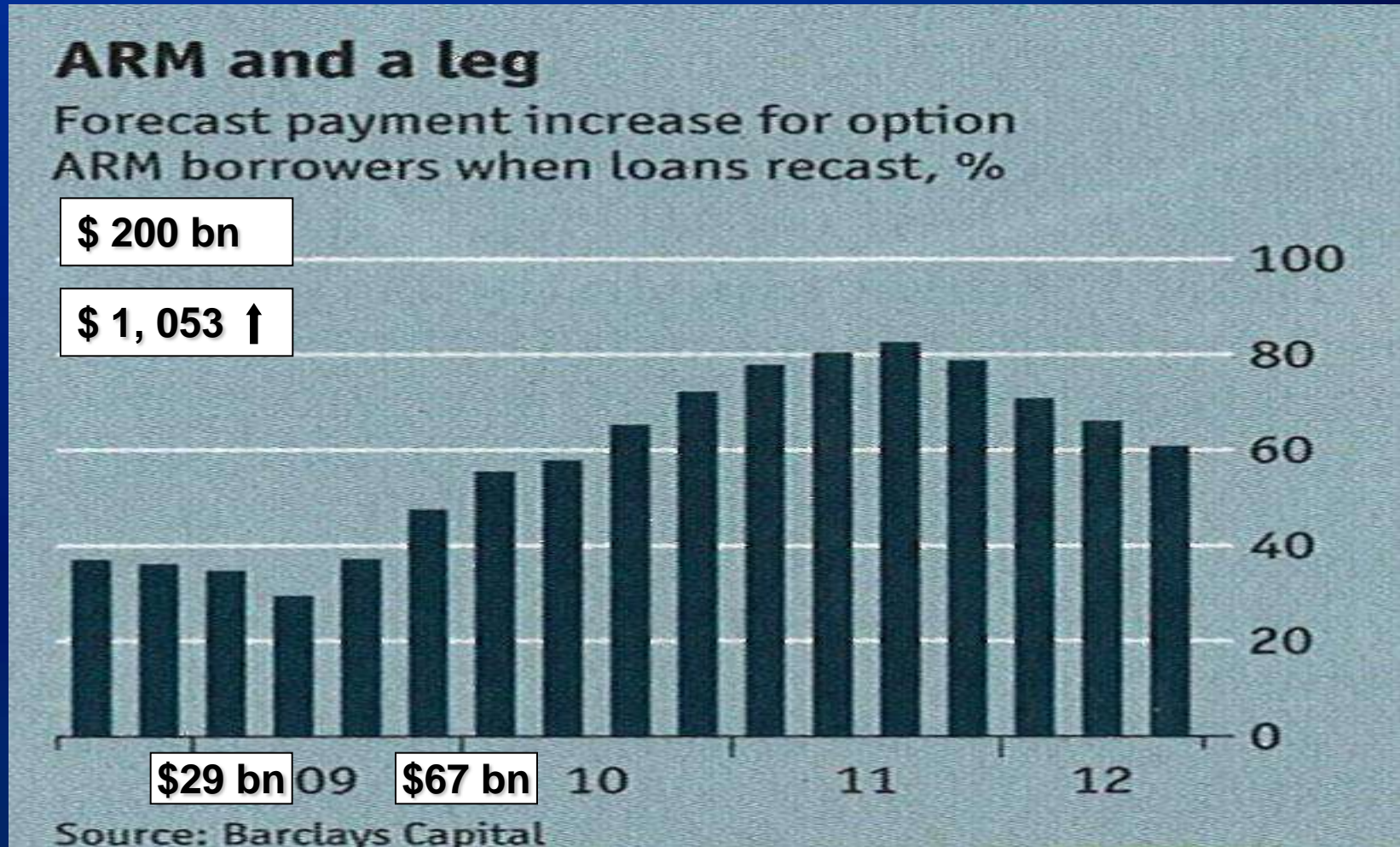
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Introduction

- Credit crunch
- Government impact
- Oil and gas
- Positioning to win



Credit Crunch



Credit Crunch

GDPI, central projection*

% increase on a year earlier

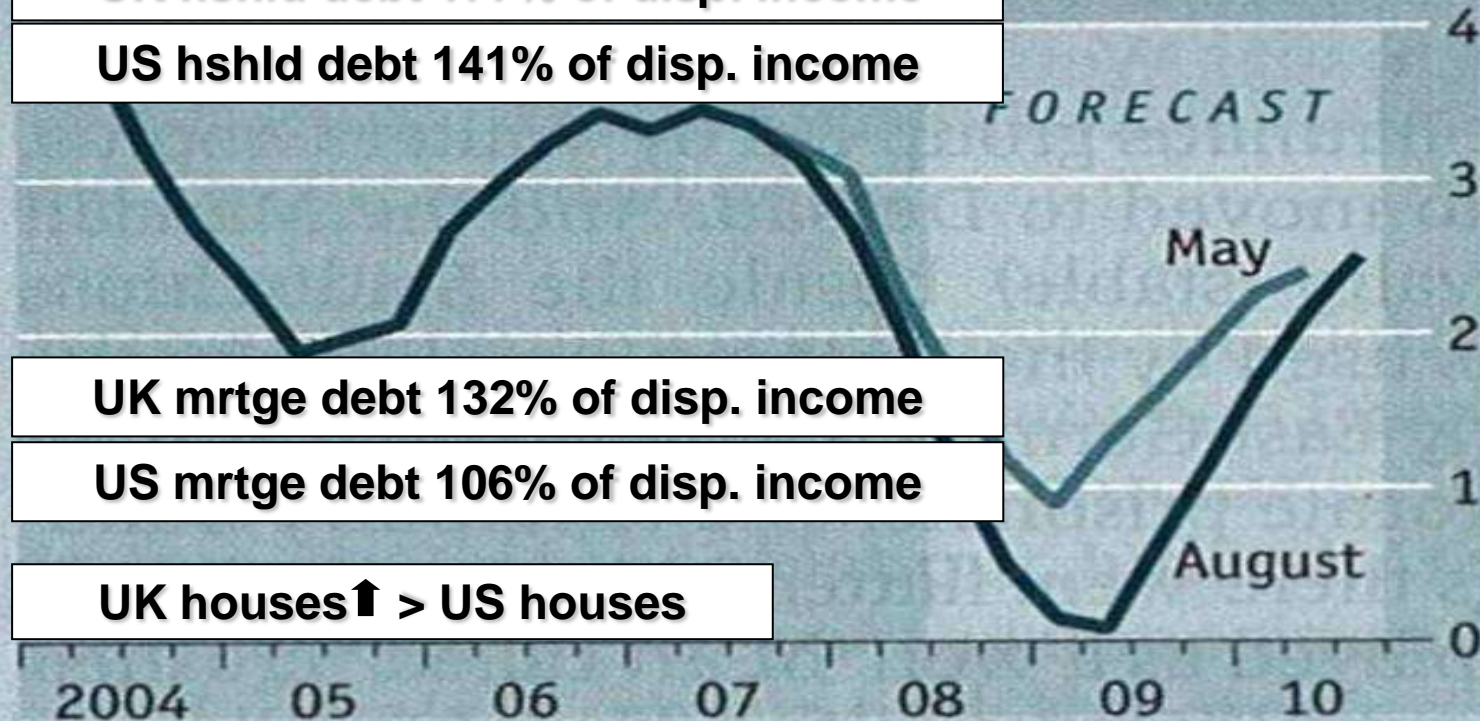
UK hshld debt 177% of disp. income

US hshld debt 141% of disp. income

UK mrtge debt 132% of disp. income

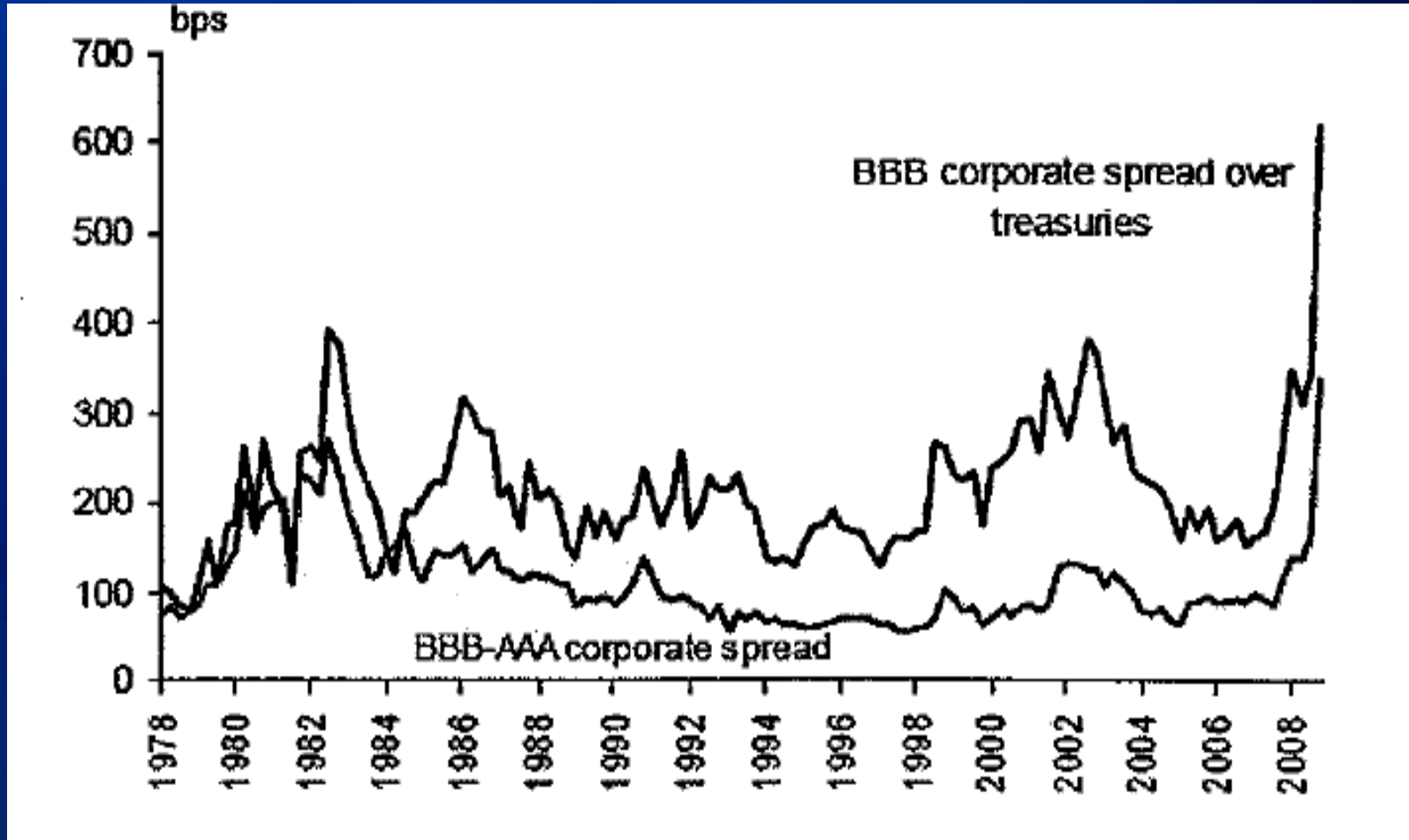
US mrtge debt 106% of disp. income

UK houses ↑ > US houses



*Assuming base rate held at 5% †Bank of England estimates of past growth

Credit Crunch



Corporate spread

Credit Crunch

- Credit and equity squeeze

		Debt to Equity Ratio			Debt to Equity Movement		Share Price Movement	
		2006	2007	2008	2006-2007	2007-2008	2006-2007	2007-2008
Highly geared companies	A	37%	46%	82%	26%	76%	-7%	-53%
	B	43%	48%	119%	13%	148%	56%	-44%
Medium geared companies	C	49%	68%	55%	38%	-19%	11%	31%
	D	75%	41%	40%	-45%	-3%	29%	51%
No debt companies	E	0%	0%	0%	0%	0%	-3%	-30%
	F	0%	0%	0%	0%	0%	-27%	-31%

Table 1- *Company gearing to share price movement*

Credit Crunch

Cash is king



Government

- Aim: improve interbank lending and provision of credit
- Strategies:



INFRASTRUCTURE



**BANK
HEALTH
DEPOSITS**



FISCAL POLICY



MONETARY POLICY



INTERBANK CREDIT STIMULUS

Government



**DEVELOPMENT OF OIL AND
GAS RESOURCES**



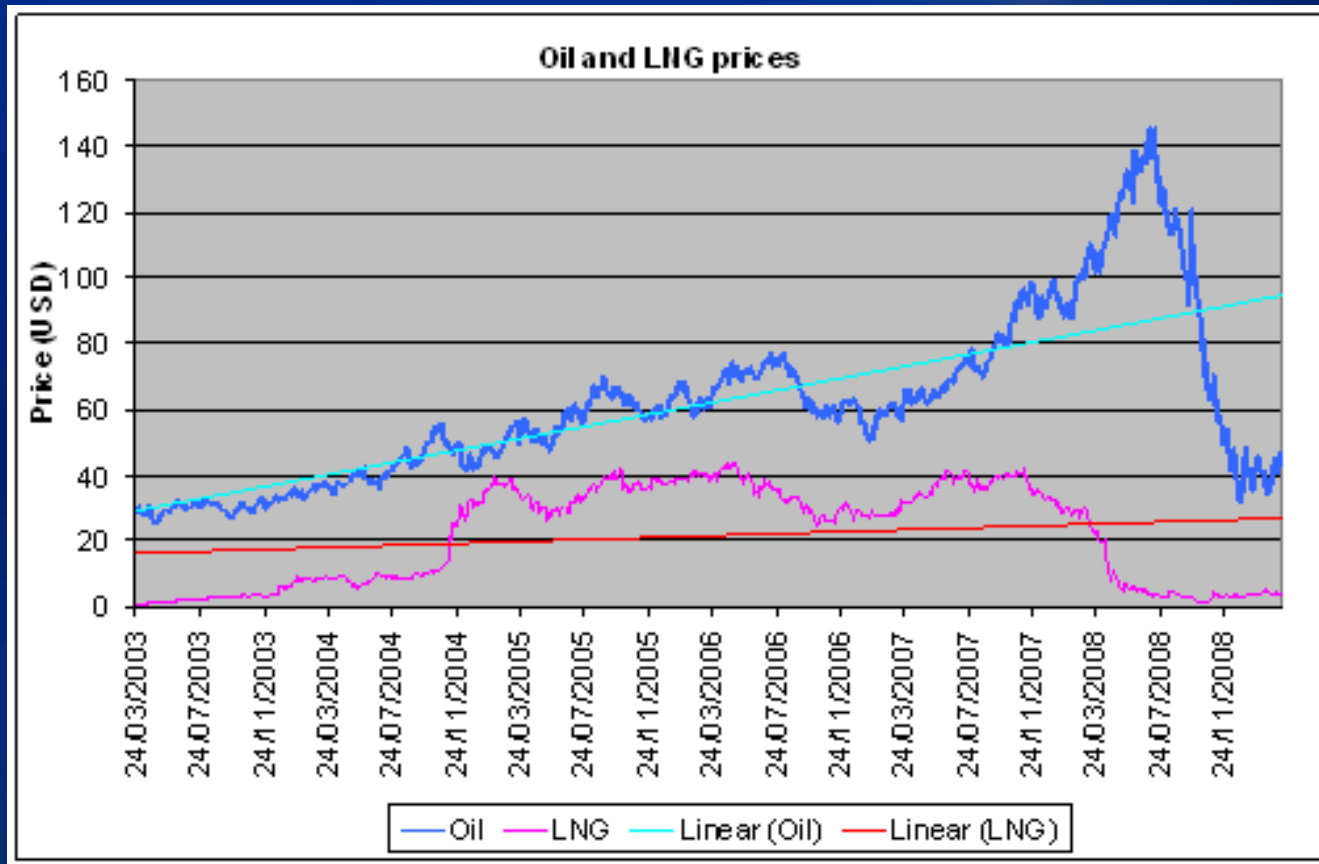
SOVEREIGN WEALTH FUNDS

Oil and Gas Sector

- **Industry fundamentals are strong**
- **Positive outlook for oil and gas sector**
- **High expected demand**

Oil and Gas Sector

- Volatility in oil and LNG prices over 3 years



Oil and Gas Sector

- Oil and gas preferred over financial markets
- Consolidation will continue in the upstream sector

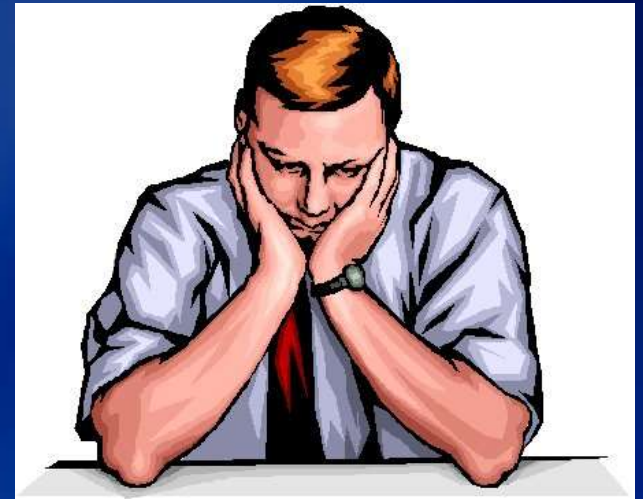


Where to now?



Winners and Losers

- 12 months before upturn
- Back to basics approach
- Reliable management monitoring system essential
 - Working capital
 - Forecasting
 - Covenant management
 - Stress testing



Winners and Losers- challenges

- **Cash flow**
- **Capital management**
- **Suppliers and contractors**
- **Hedging**
- **Cost optimisation**



Conclusion

- **Positioning to win**
 - back to basics
 - cash and future cash flow





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