

# THE STATUS OF THE PLANT ENGINEERING INDUSTRY



**UAMI**

Associazione aziende di costruzioni  
e montaggio impianti industriali



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## Focus on the Plant Equipment and Services value chain

*43° Convegno Nazionale ANIMP-UAMI  
Roma, June 10<sup>th</sup> 2016*

**OPEC FIGHT FOR MARKET SHARE CREATED A CLEAR GLOBAL OVERSUPPLY (BUT WITH REDUCING STOCKS)**

*Canada, the US and Nigeria lost ground, while Iran is back to the game*



**THE EXISTING COST CURVE IS BELOW 30 USD/BBL, BUT LOW OIL PRICES ARE NOT SUSTAINABLE**

*Budgets of oil-producing countries and future Upstream CAPEX are at risk*



**SHALE HAS BEEN IMPACTED IN 2016, BUT WILL ADD VOLATILITY EVERY TIME THE OIL IS >55 USD/BBL**

*Unconventional is becoming more and more Conventional*



**“LOWER FOR LONGER” IN THE 50/60 \$/BBL RANGE**

*WHICH IMPACT ON SUPPLIERS?*

# SEVERE UPSTREAM DOWNTURN

LESS AWARDS

-20/30%

SMALLER PROJECTS

-10/30%

DISCOUNTS & RENEGOTIATIONS

-10/20%

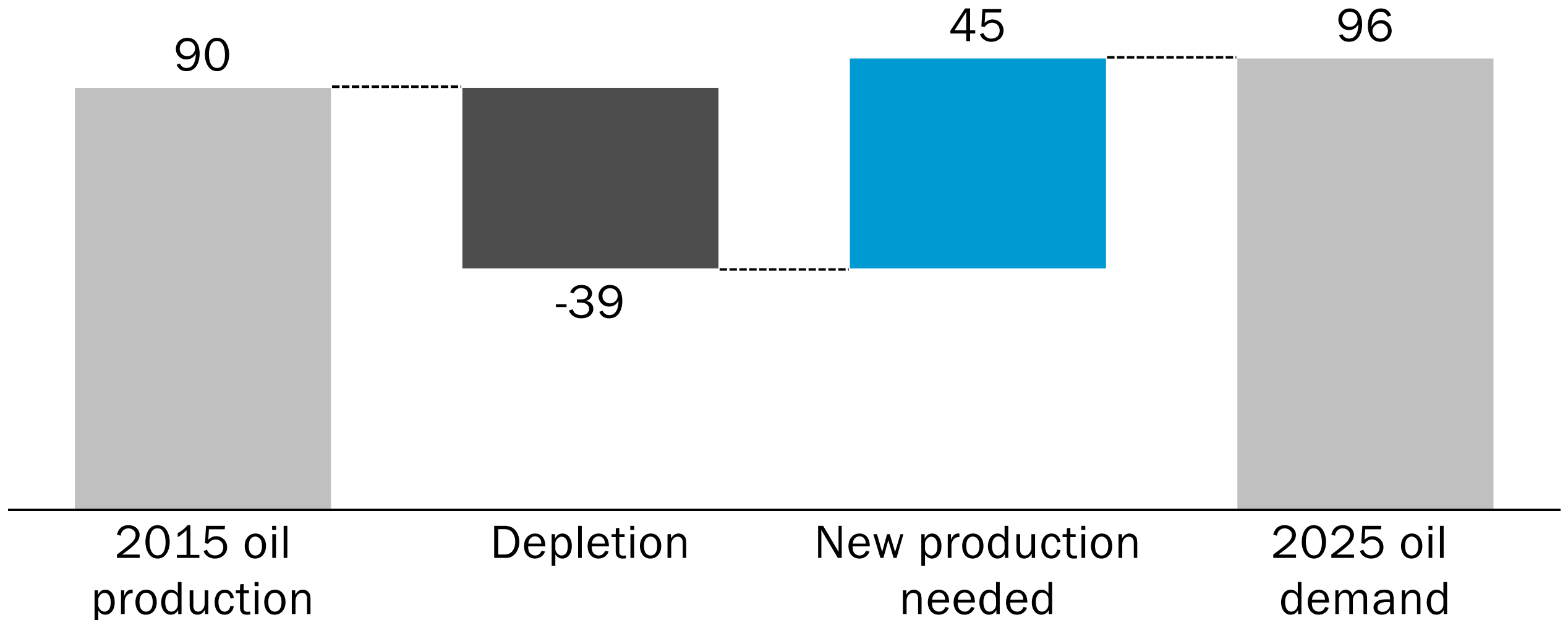
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-40/50%

THE CROMARTY FIRTH, NORTH OF INVERNESS, SCOTLAND  
CURRENTLY PACKED WITH UNCONTRACTED RIGS

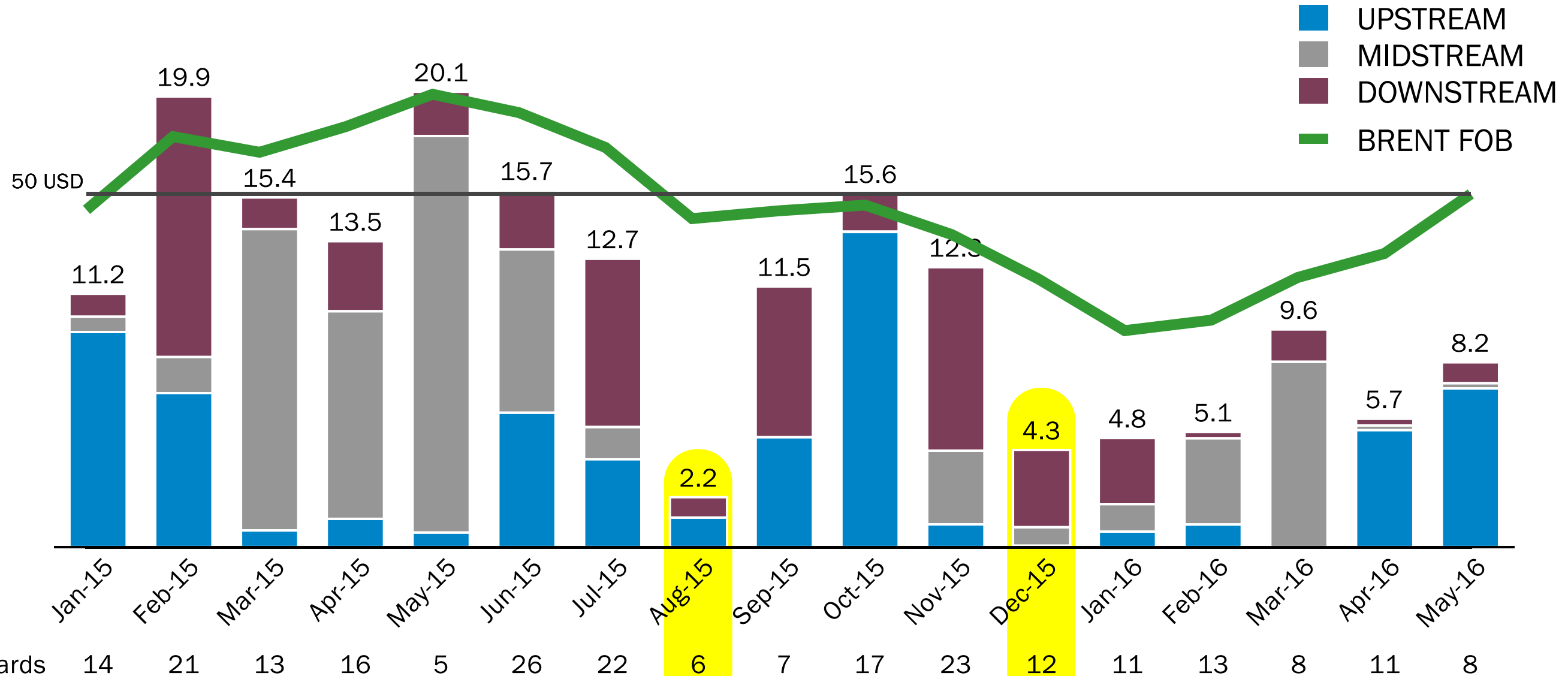
# LONG-TERM DRIVERS for UPSTREAM CAPEX are INTACT

**OIL:** Base production from current fields, demand, and implied depletion and new production need (MBPD)



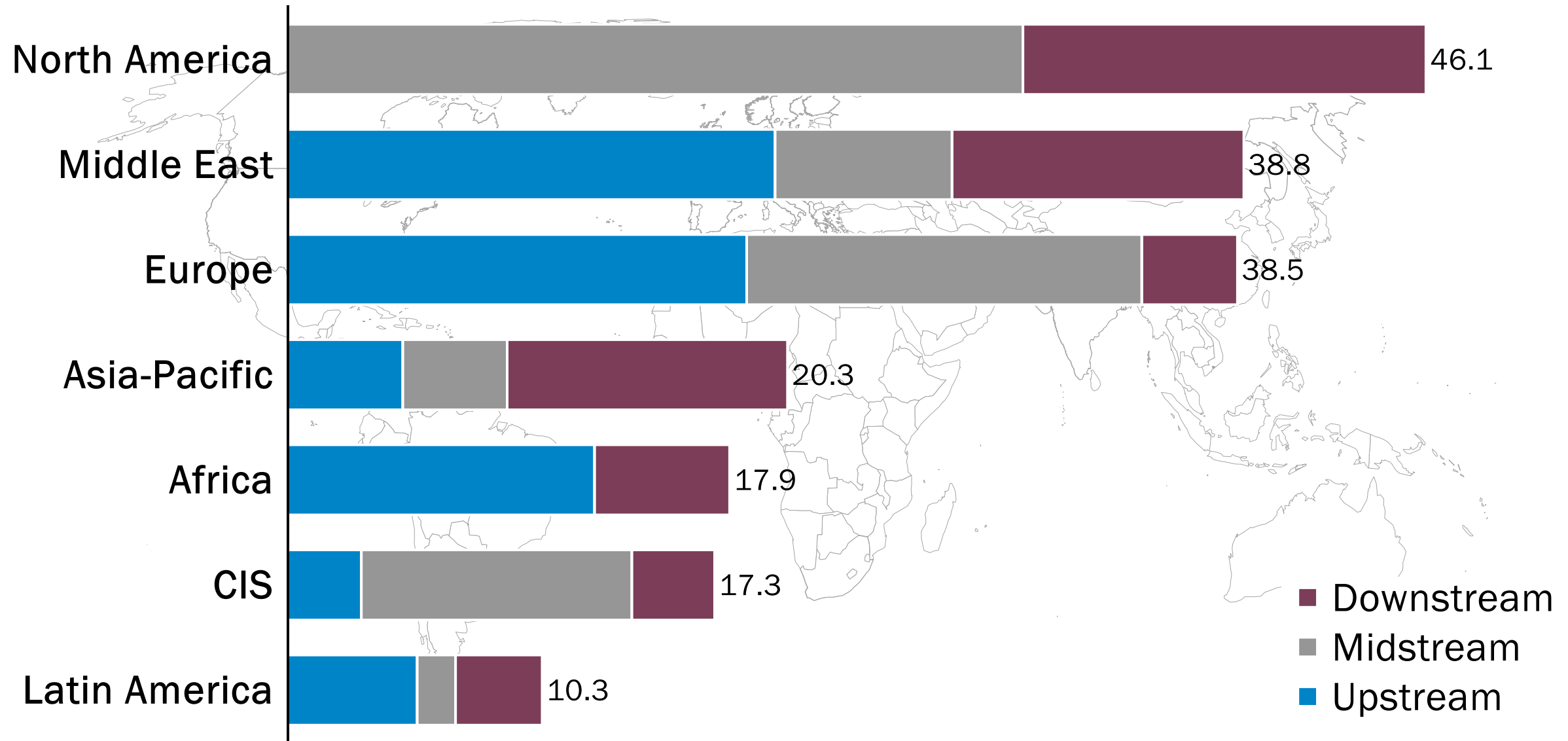
# TOP250 recent EPC AWARDS for ~\$200B

New awards of TOP250 Oil&Gas EPC projects, by month of award – Jan '15 / May '16, USD Billion

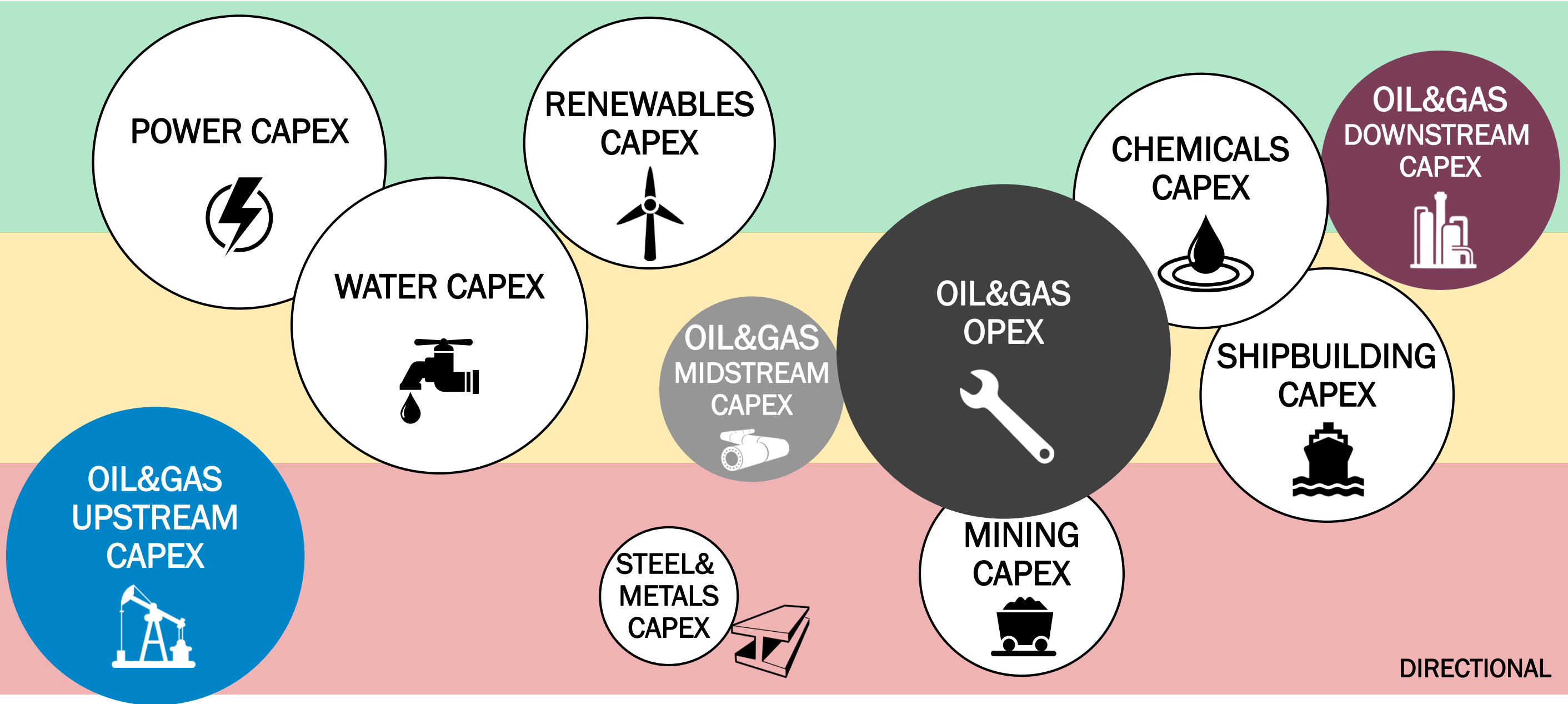


# AWARDS mainly in NA and EMEA countries

New awards of TOP250 Oil&Gas EPC projects, by region – Jan '15 / May '16, USD Billion



# BEYOND OIL&GAS UPSTREAM CAPEX



DIRECTIONAL



# OLYMPIC GAMES in 56 days

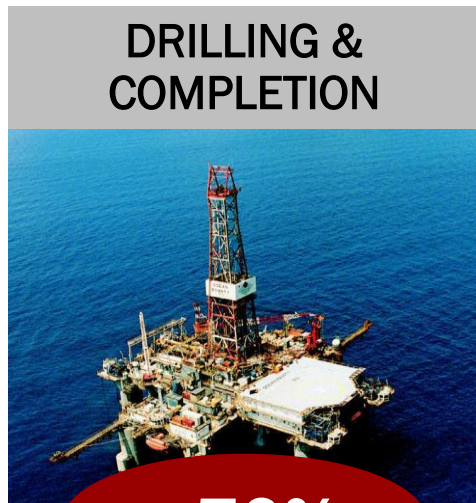




# WE COMPETE INTERNATIONALLY EVERY OTHER MONTH







**>70%**

**Highly impacted**  
(lost >25% revenues)  
**Renegotiation of existing contracts**



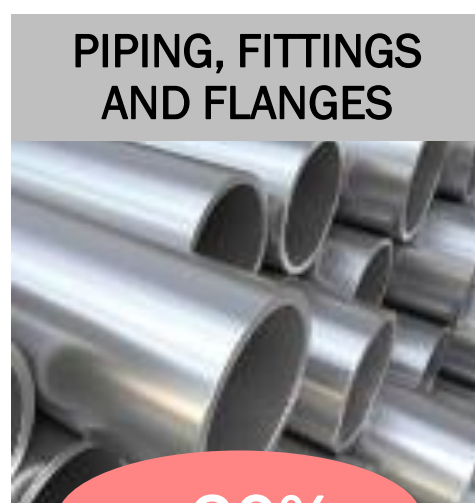
**~60%**

**Standardization and new installation methods for the Subsea Factory will drive innovation and future growth**



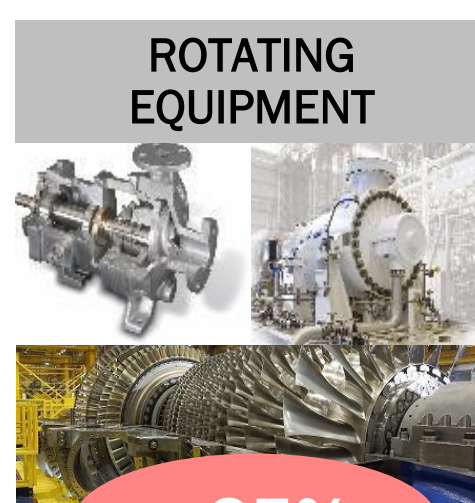
**~35%**

**Higher flexibility in serving different segments and industries**  
**Impacted by make/buy strategies of the Contractors and by local execution**



**~30%**

**Shale-related activities highly impacted**  
**Downstream & Power gaining relevance**  
**Raw materials (iron ore, ...) are expected to rise**



**~25%**

**Focus on After-Sale tail and Operational Excellence**  
**M&A / Partnership with industrial automation players**  
**Local Content opportunities**

○ Revenues' exposure to Upstream Oil&Gas CAPEX

### HEAT TRANSFER EQUIPMENT AND VESSELS



~20%

Sustained growth by **Downstream** – including **Fertilizers**

Lower exposure to Upstream (mainly Separators)

### HEATING EQUIPMENT & SYSTEMS



~20%

Not only Downstream but also **Waste Heat** and **Industrial applications** for **Energy Efficiency**

### VALVES



~15%

Some cases of high exposure to upstream (**Deepwater, ...**)

**Large Midstream projects** require complex valves for LNG and pipelines

### CONTROL SYSTEMS AND INSTRUMENTATION



~5%

**Innovation:** automation, Internet of Things (IoT), cyber security, ...

**Increasing integration of systems** (e.g. in naval)

### ELECTRICAL COMPONENTS AND SYSTEMS



~5%

Continued **Energy Efficiency** needs

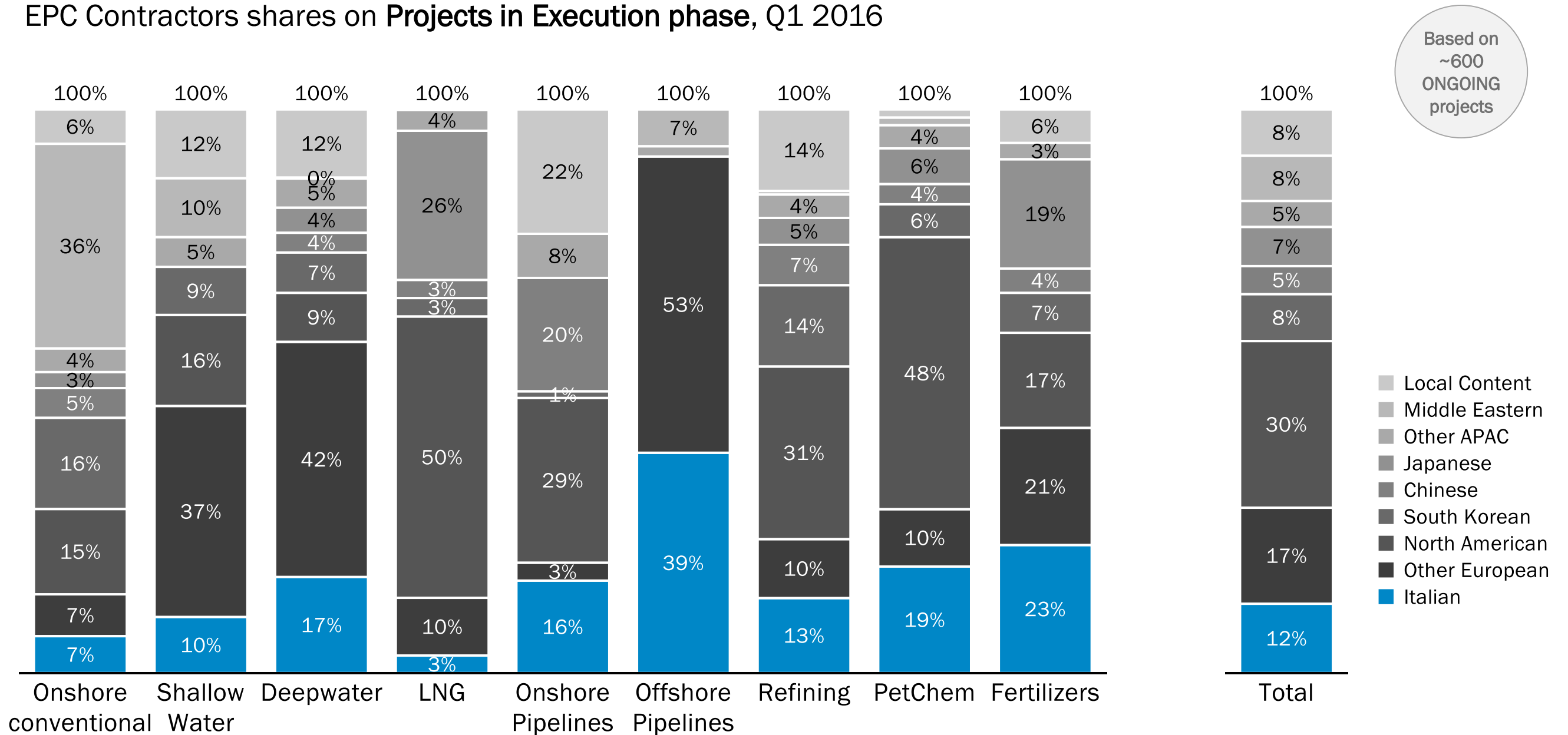
**Innovation:** automation, remote operations and monitoring



Revenues' exposure to Upstream Oil&Gas CAPEX

# EPCs are not enough for INTERNATIONALIZATION

EPC Contractors shares on **Projects in Execution phase, Q1 2016**



# A INDUSTRIES and SEGMENTS

Other industries (e.g. **Power, Water, Renewables, ...**) provide opportunities **also** for smaller scale projects

**A diversified presence** across the Oil&Gas value chain (UP, MID, DOWN) is key for **resilience**

**Aging infrastructure** drives further “**brownfield**” spending and **new business models**



## B CLIENTS and GEOGRAPHIES

**“Every Client counts”**, also in the Western World  
(e.g. Packagers)

For large Groups, the **full penetration of Geographies** needs to be “real”, while the **internationalization of SMEs** requires **qualified visibility** and a structured approach

**Iran** necessitates a dedicated approach (EPC+F, KH transfer)

**“Follow the money”**: funding and ECAs are increasingly relevant to make things happen

## C PRODUCTS and SERVICES

Focus on **value added Services** that can **differentiate from the competition** and **solve OPEX issues**: a “*start-up approach*” may be required

**M&A** when delivers **complementary “systems”** for **more value to clients** (M&A deal count in the energy sector plunged in 2015)

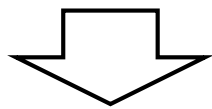
**Complex to intercept trends with the right timing**: IoT, 3D printing, BIM, ...

# WINNERS will need to excel in each discipline

**FILL THE “GAPS”**  
(VALUE CHAIN SEGMENTS,  
GEOGRAPHIES, PRODUCTS)

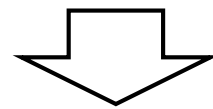
**OPEX AND SERVICE**

**2**



Improve margins  
through proximity  
to End-Users

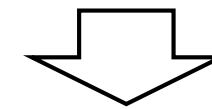
**1**



Drive **sustainable**  
top-line growth through  
complementarities and  
internationalization

**NEW TECHNOLOGIES**

**3**



**Differentiate** from  
Competition



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