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Learnings in the Current South East Asian deal space

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OPEC's strategic 2014 policy shift towards pursuing market share rather than price stability, and the ensuing crash in oil prices put immense financial pressure on the oil and gas sector. Many believed that overstretched NOCs and IOCs, and distressed independents would seek to shore-up their balance sheets by selling assets, which would create attractive opportunities for private equity vehicles and other well capitalized entities.

In South East Asia, many expected the oil price collapse to accelerate the exit of incumbent IOCs and to make more room for regional independents and for new specialist operators to emerge. To date through, the single most obvious observation, is that there have been very few successful M&A transactions in the region. The market has seen a few late-life asset sales and several stalled or aborted auctions.

The accommodative stance of lenders, access to capital markets, increasingly competitive positioning of NOCs and regulatory uncertainty have all contributed to a bid-ask spread in valuations. Some of the assets brought to market have been economically challenged, technically challenged, or burdened with significant above ground risks. Given this back drop, we have learned that deal origination needs to be highly relationship driven and underpinned by compelling strategic rationale.

A selective "solution provider" approach to business development is the key to unlocking deals. We do not see any immediate change in the macro drivers of deal flow in South East Asia but remain encouraged by the recent stability in crude prices and the high quality of our dialogue with potential counter parties.

Speaker's Biography

*Barry O'Donnell is the Chief Executive Officer for Mandala Energy Ltd. His career spans over 35 years in the upstream oil and gas business, with a majority of time spent here in South East Asia. Barry graduated in 1978 with a BSc (hons) in geology from University College Dublin, Ireland. Barry spent 18 years with Unocal in positions of increasing responsibility in exploration and new ventures and commercial roles mostly in Southeast Asia, but also in Latin America and West Africa. In 2001, Barry joined Occidental Petroleum in Dubai as VP Business Development Middle East. Then, from 2006, Barry ran the South East Asia businesses of Premier Oil, and then Mubadala Petroleum who had bought Pearl Energy in 2008. In 2015, Barry and two co-founders started Mandala Energy, a South East Asia-focused oil and gas exploration and production company, backed by New York investment firm KKR, and headquarters in Singapore.