



# There are 6 stages within each offshore cycles and the history of Transocean shows them all.

Chart Pack

July 09, 2023



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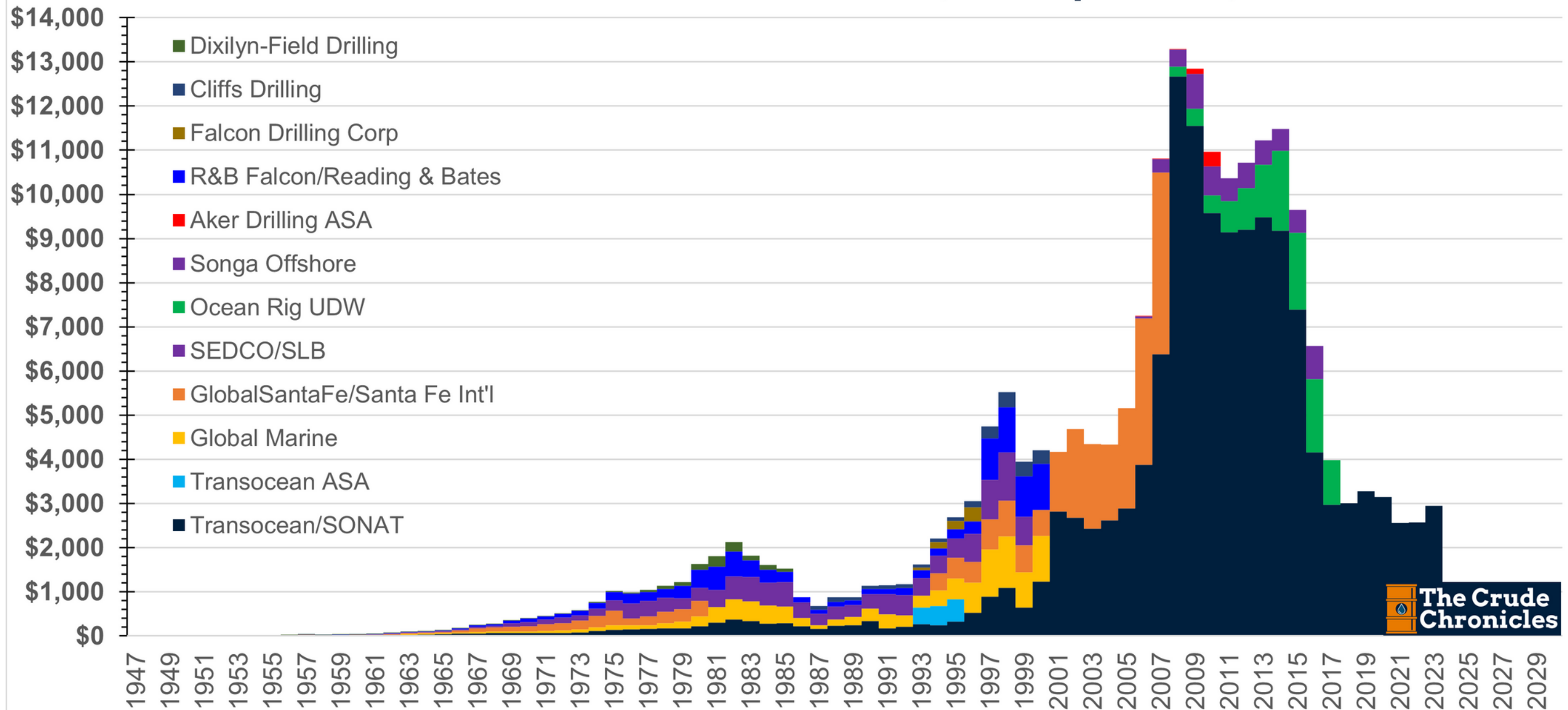
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**The companies that were rolled up in the 2000s cycle can trace their origins back to the beginnings of the industry and were once major players in the offshore industry themselves.**

## Transocean Reconstructed Revenues, 1956-present, \$ in mil.



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Sources: Company Annual Reports, [thecrudechronicles.substack.com](http://thecrudechronicles.substack.com)

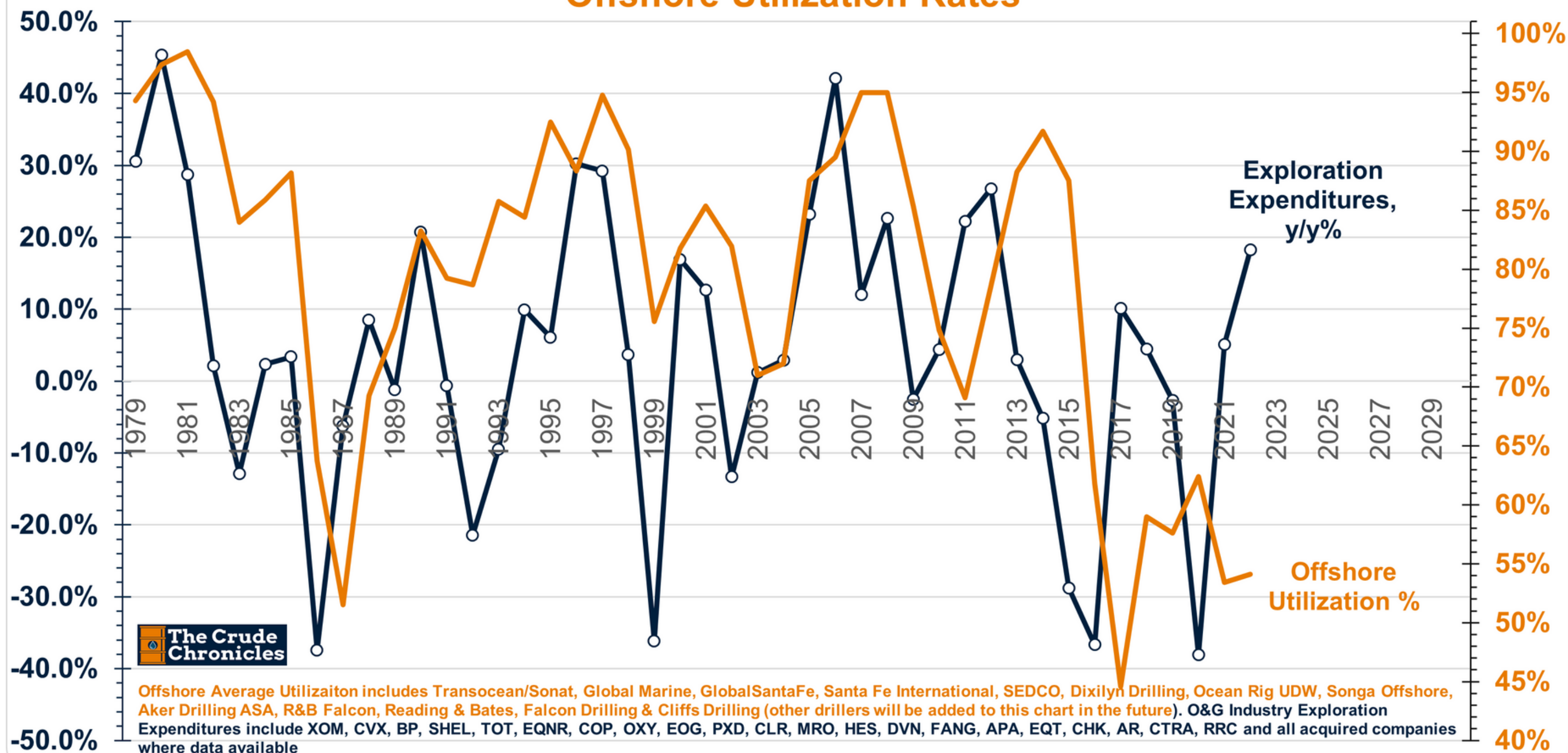
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**One of the reasons I think the offshore theme will make a comeback is that exploration budgets are now rising. The biggest beneficiary has always been the offshore industry.**

## O&G Industry Exploration Expenditures tend to lead Offshore Utilization Rates



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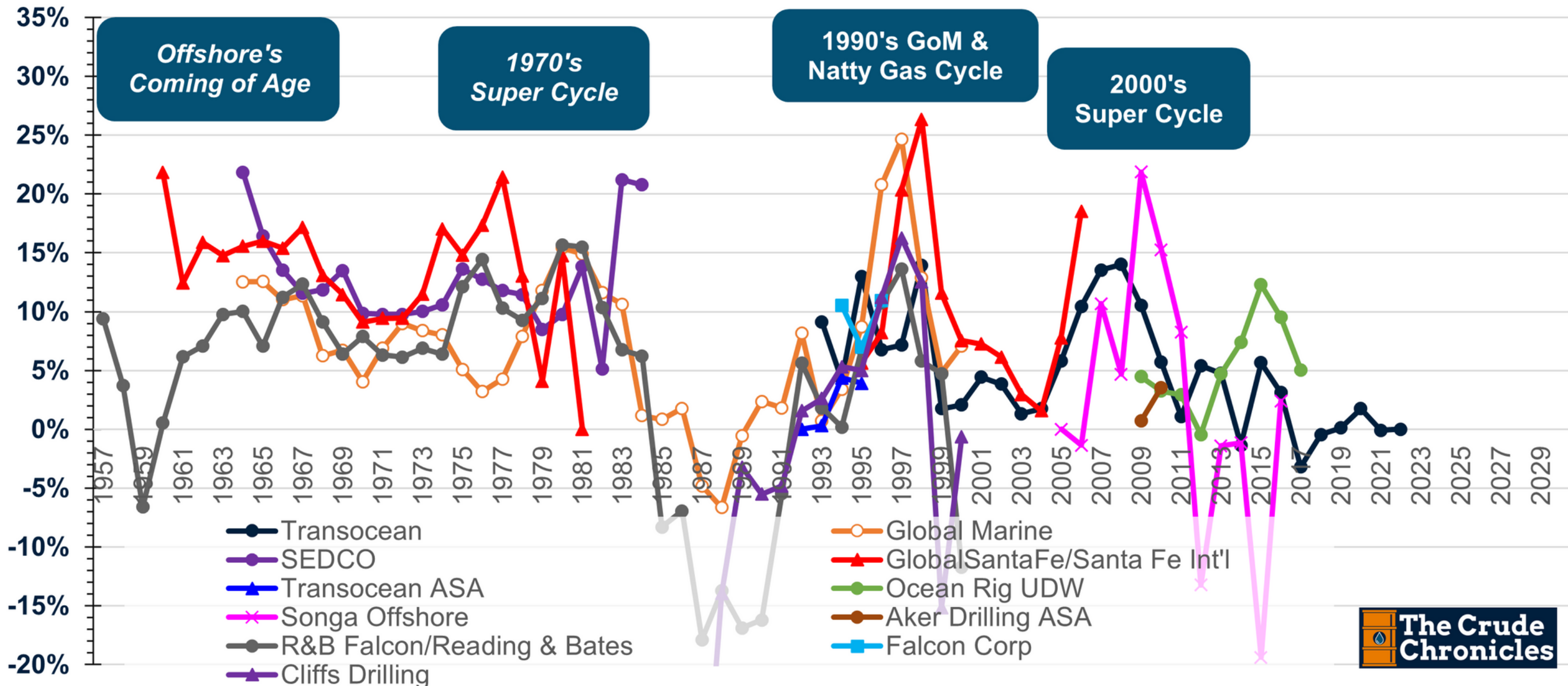
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**There have been 4 offshore cycles and if I am correct this will be the 5th.**

## Offshore's Return on Capital Cycles, NOPAT ROCE

*NOPAT = (Net Income + Impairment charges + interest exp + taxes) x (1-tax rate)*  
*Capital Employed = Shareholders' equity + Total Debt + Impairment charges*



Sources: Company Annual Reports, thecrudechronicles.substack.com

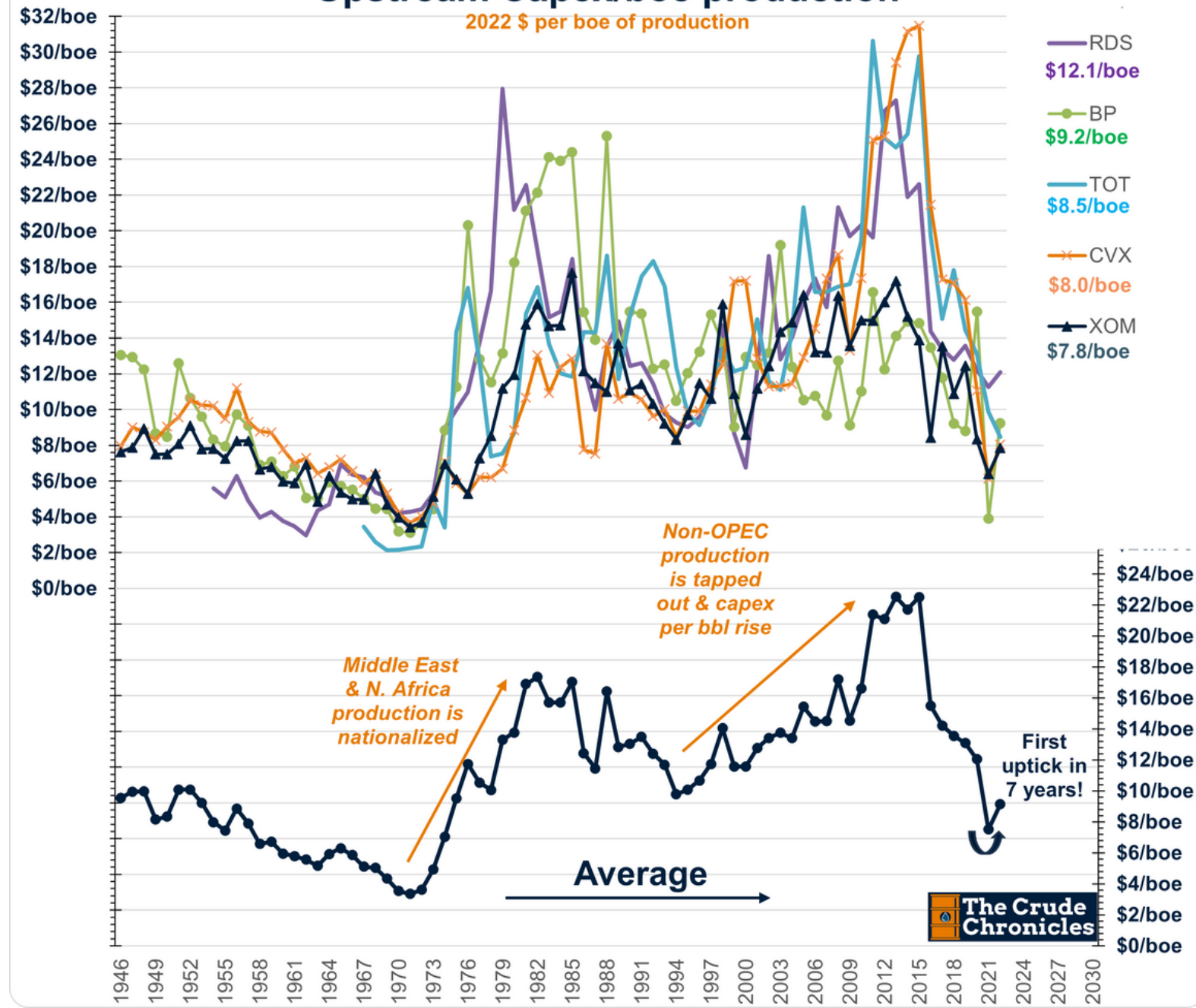
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# Stage 1 - Offshore becomes competitive and attracts capital.

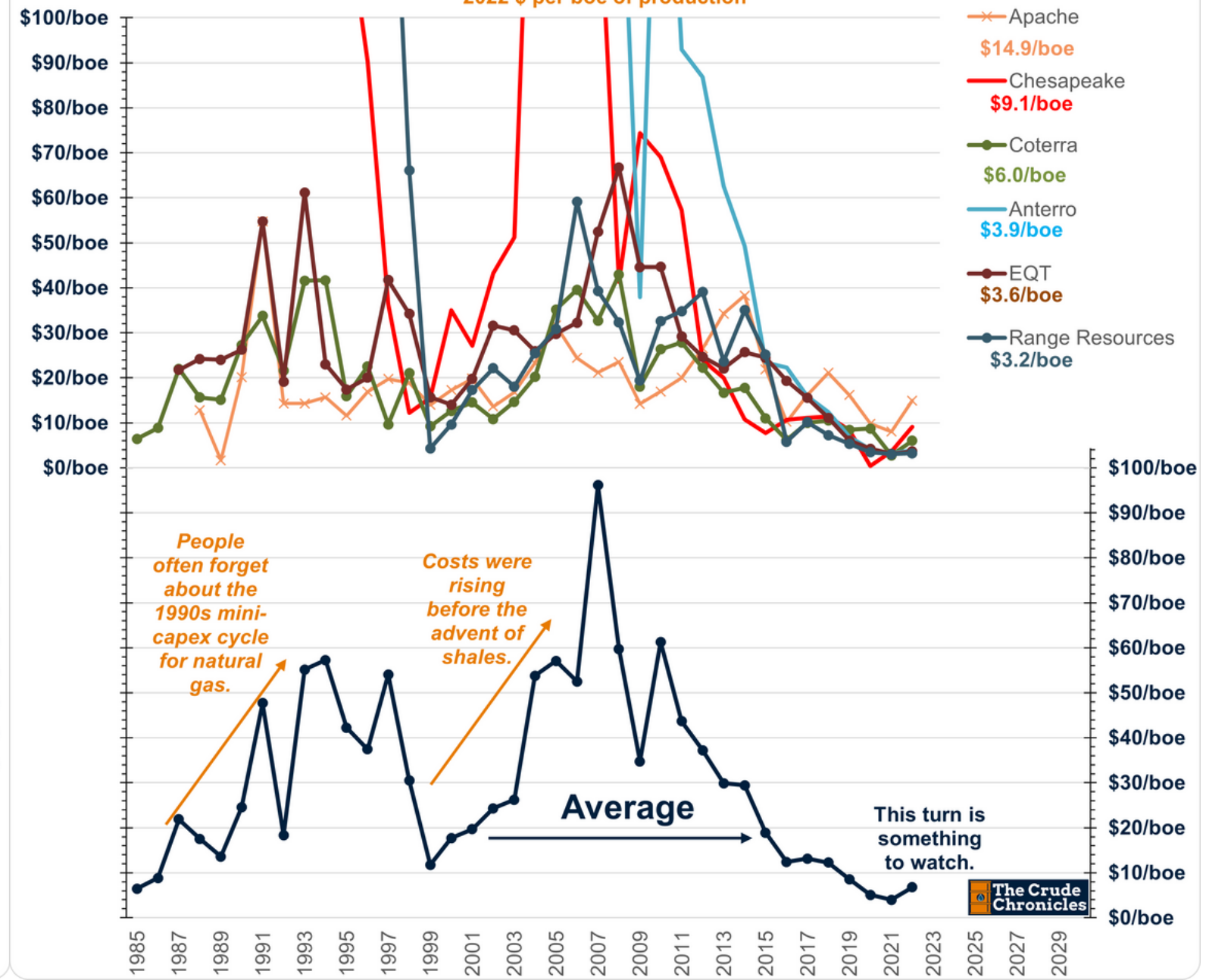
## Supermajors Inflation adjusted Upstream Capex/boe production

2022 \$ per boe of production



## N. American Gas E&P Inflation adjusted Capex/boe production

2022 \$ per boe of production



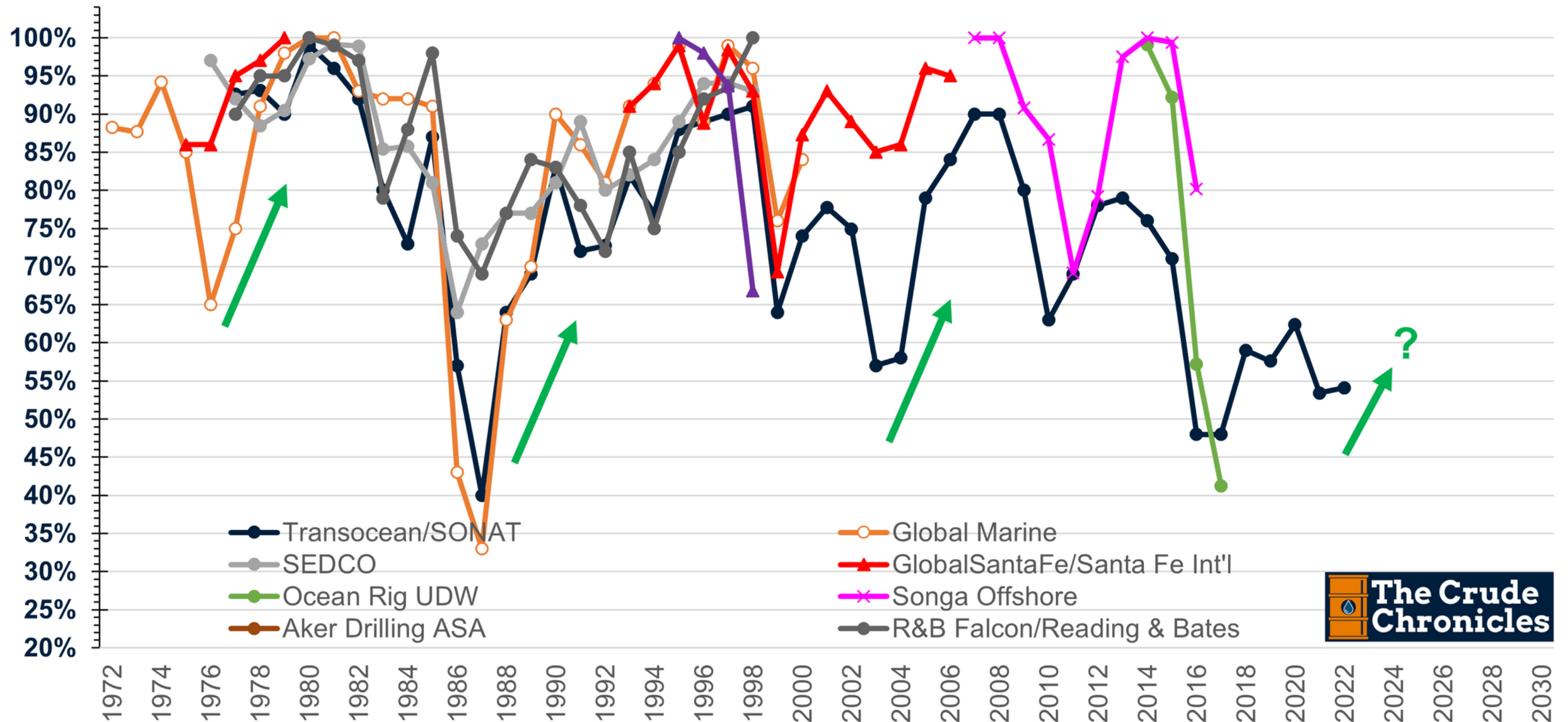
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# Stage 2 - The boats are put to work and utilization rates improve.

## Transocean Companies' Offshore Utilization



Sources: Company Annual Reports, thecrudechronicles.substack.com

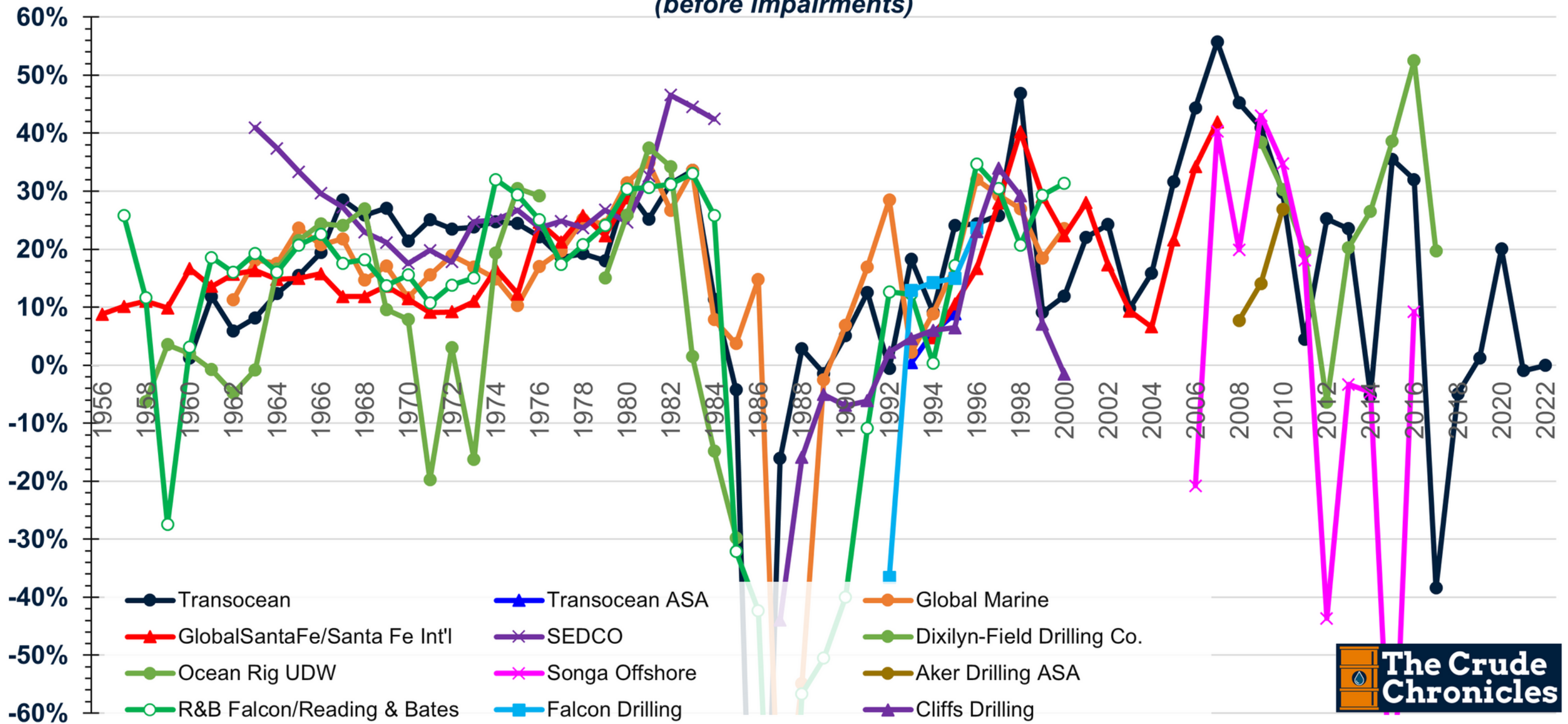
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# Stage 3 - Industry margins improve on the back of higher utilization and pricing.

## Transocean Companies EBIT margins (before impairments)



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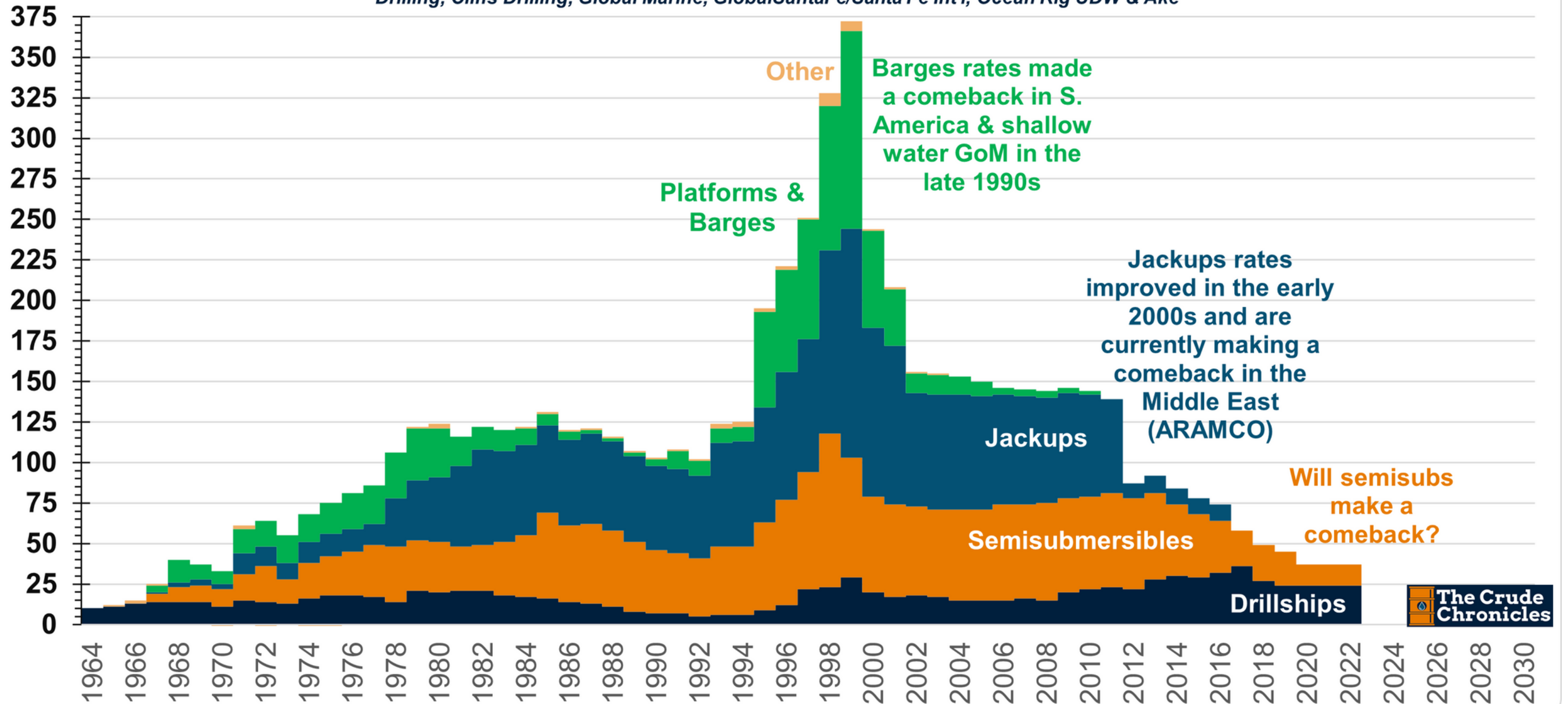




# Stage 3 continued - It's not just the high-spec rigs that are earning a premium but also some of the legacy assets that come back to life.

## Reconstructed Transocean Rig Count by Type

\*Reconstructed with data from Transocean/Sonat, Transocean ASA, SEDCO, Songa Offshore, R&B Falcon/Reading & Bates, Falcon Drilling, Cliffs Drilling, Global Marine, GlobalSantaFe/Santa Fe Int'l, Ocean Rig UDW & Ake



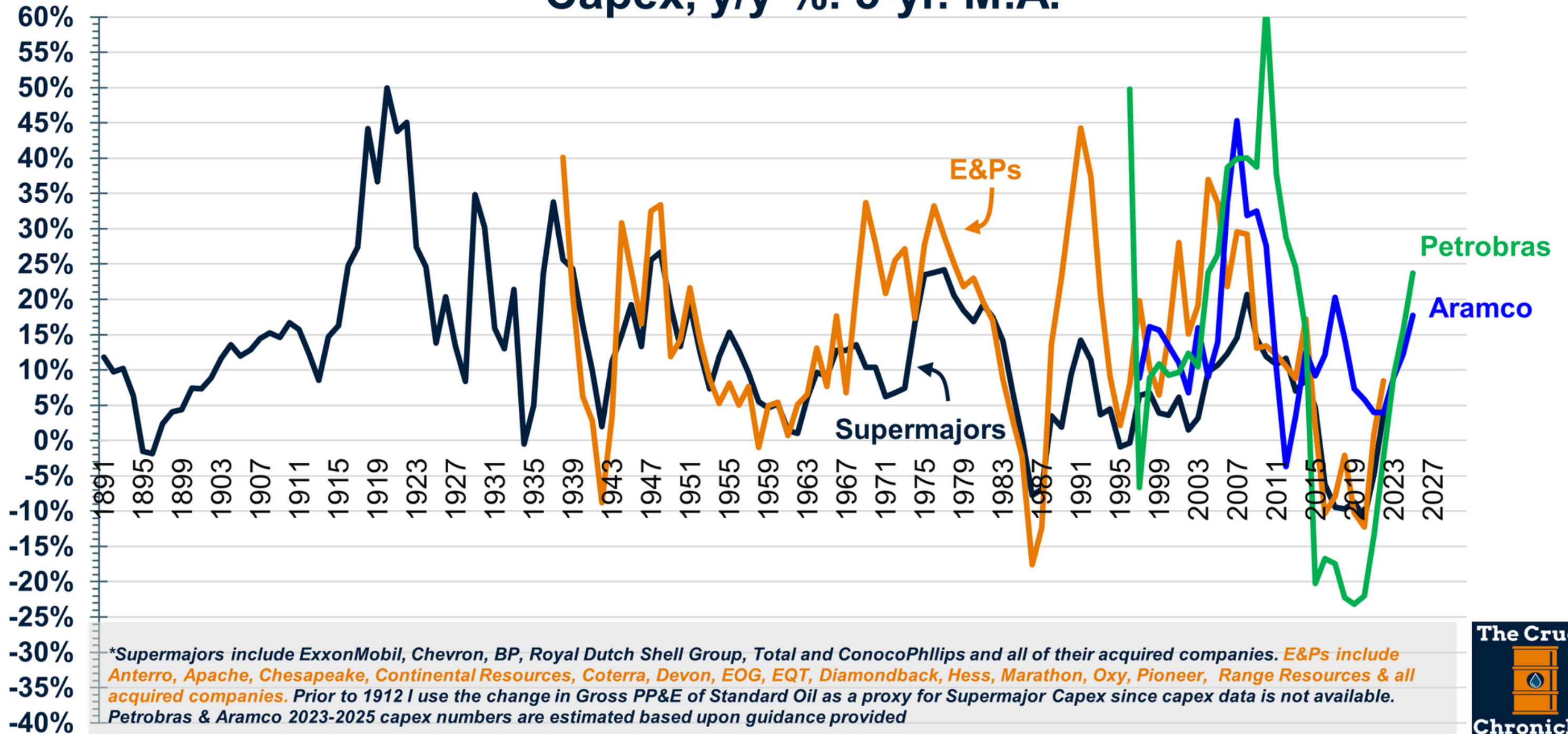
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# Stage 3 continued - Currently, ARAMCO is supporting jack-up rates in the Middle East and Petrobras (along with Guyana) are supporting floater rates in S. America

## Supermajors, E&P & NOCs Reconstructed\* Capex, y/y %. 5-yr. M.A.



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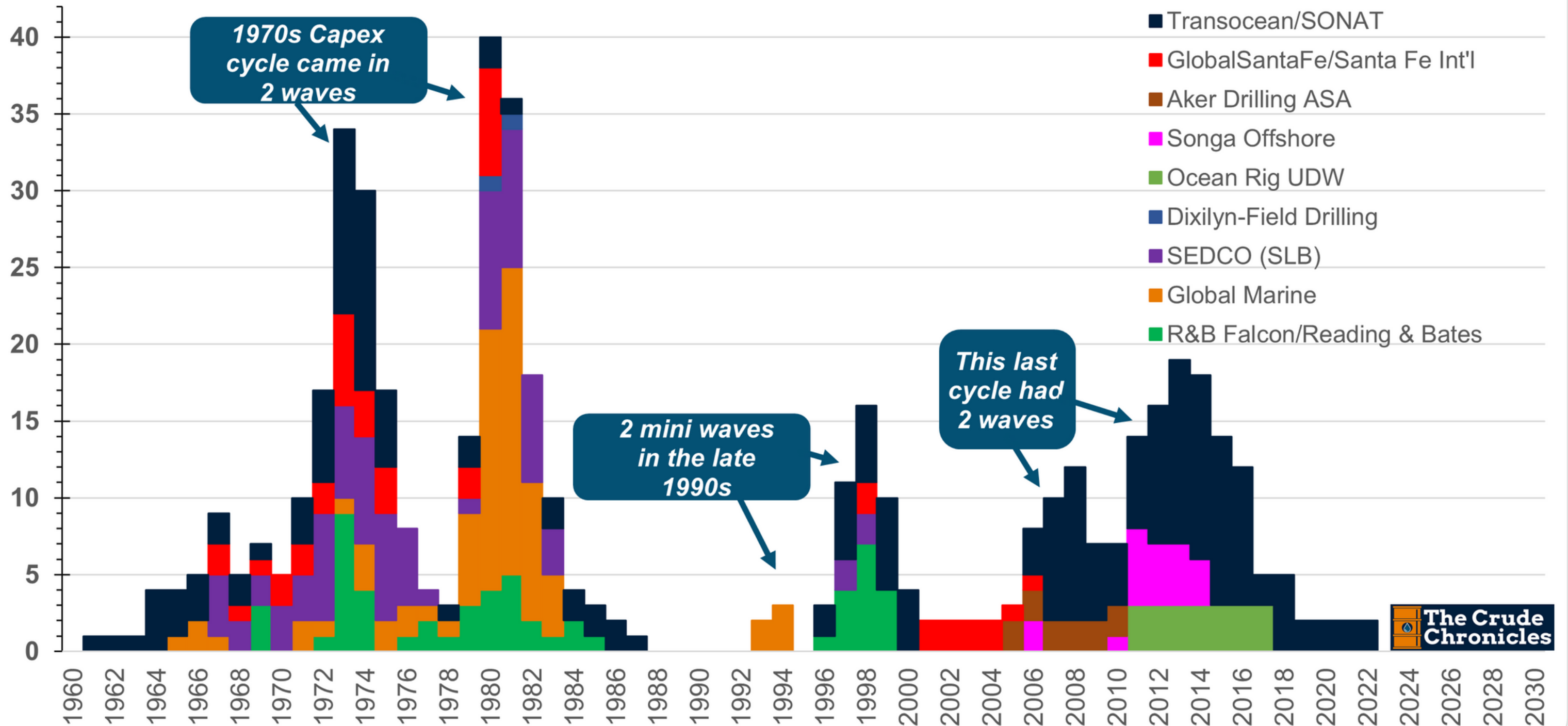
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# Stage 4 - The industry gorges itself on capex to replenish the fleet. Often times these capex cycles come in two waves with the second wave of boats larger than the first.

## Transocean Reconstructed Offshore Rigs Under Construction, 1960-present

(includes Drillships, Semisubmersibles, Submersibles, Jackups, Platform Drilling Rigs, Platform Tenders & Drilling Barges)



Sources: Company Annual Reports, [thecrudechronicles.substack.com](http://thecrudechronicles.substack.com)

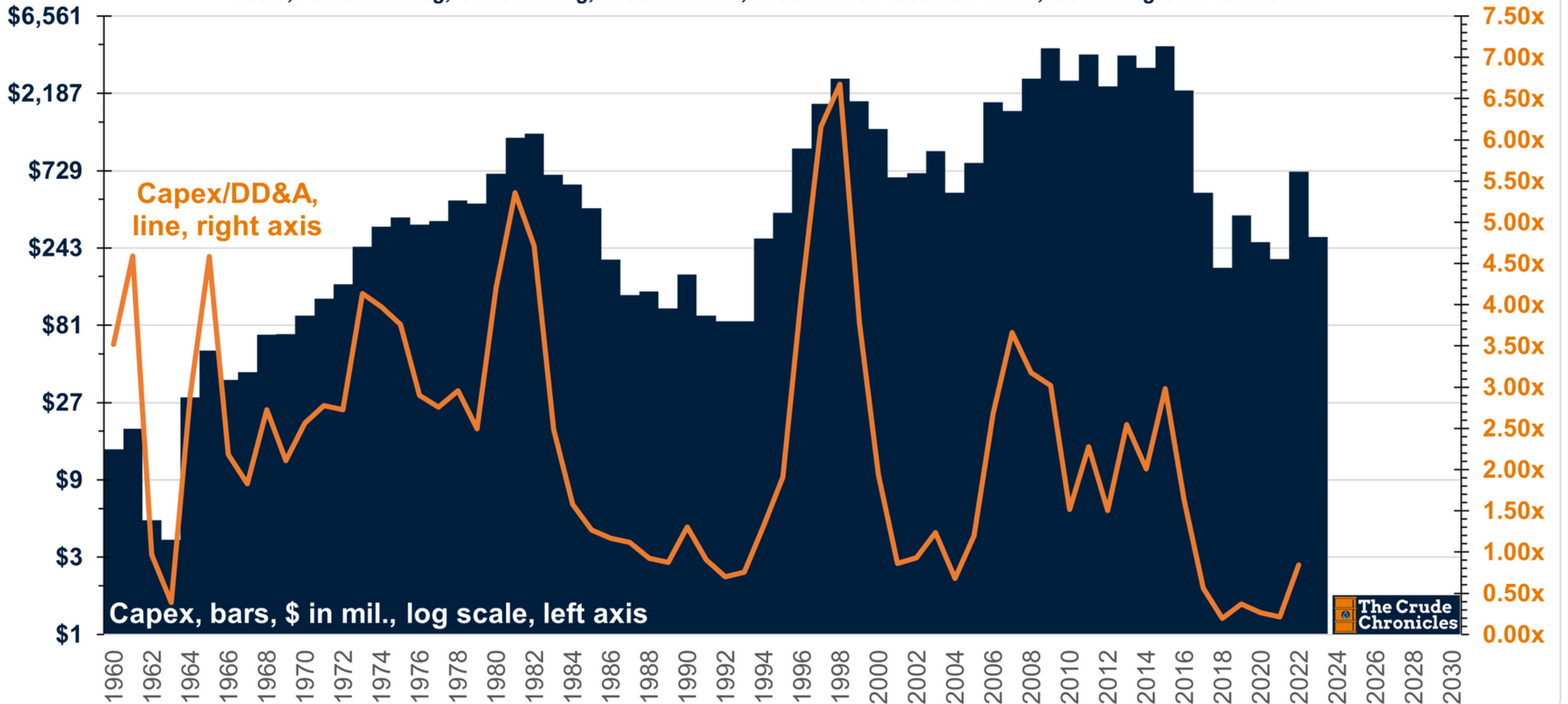
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**Stage 4 continued - Transocean is currently spending less than depreciation rates but this is not a rare occurrence when looked at in the context of history.**

## Transocean Capex Cycles, 1960-present

*\*Reconstructed with data from Transocean/Sonat, Transocean ASA, SEDCO, Songa Offshore, R&B Falcon/Reading & Bates, Falcon Drilling, Cliffs Drilling, Global Marine, GlobalSantaFe/Santa Fe Int'l, Ocean Rig UDW & Aker Dri*



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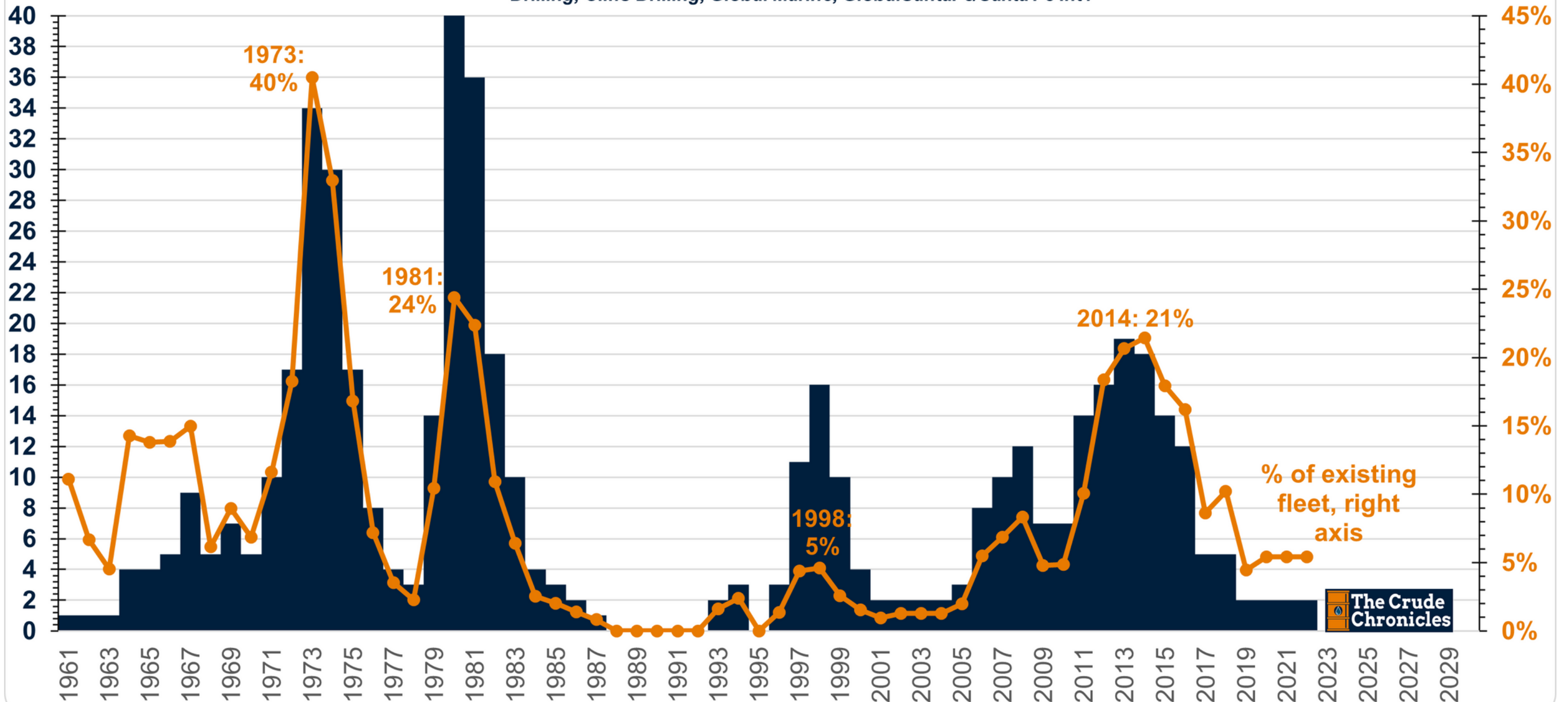
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**Stage 4 continued - If I had to guess, a replenishment rate somewhere between 20%-40% of the existing fleet signals a peak.**

## Transocean Offshore Rig Under Construction/Order, 1961-present

*\*Reconstructed with data from Transocean/Sonat, Transocean ASA, SEDCO, Songa Offshore, R&B Falcon/Reading & Bates, Falcon Drilling, Cliffs Drilling, Global Marine, GlobalSantaFe/Santa Fe Int'l*



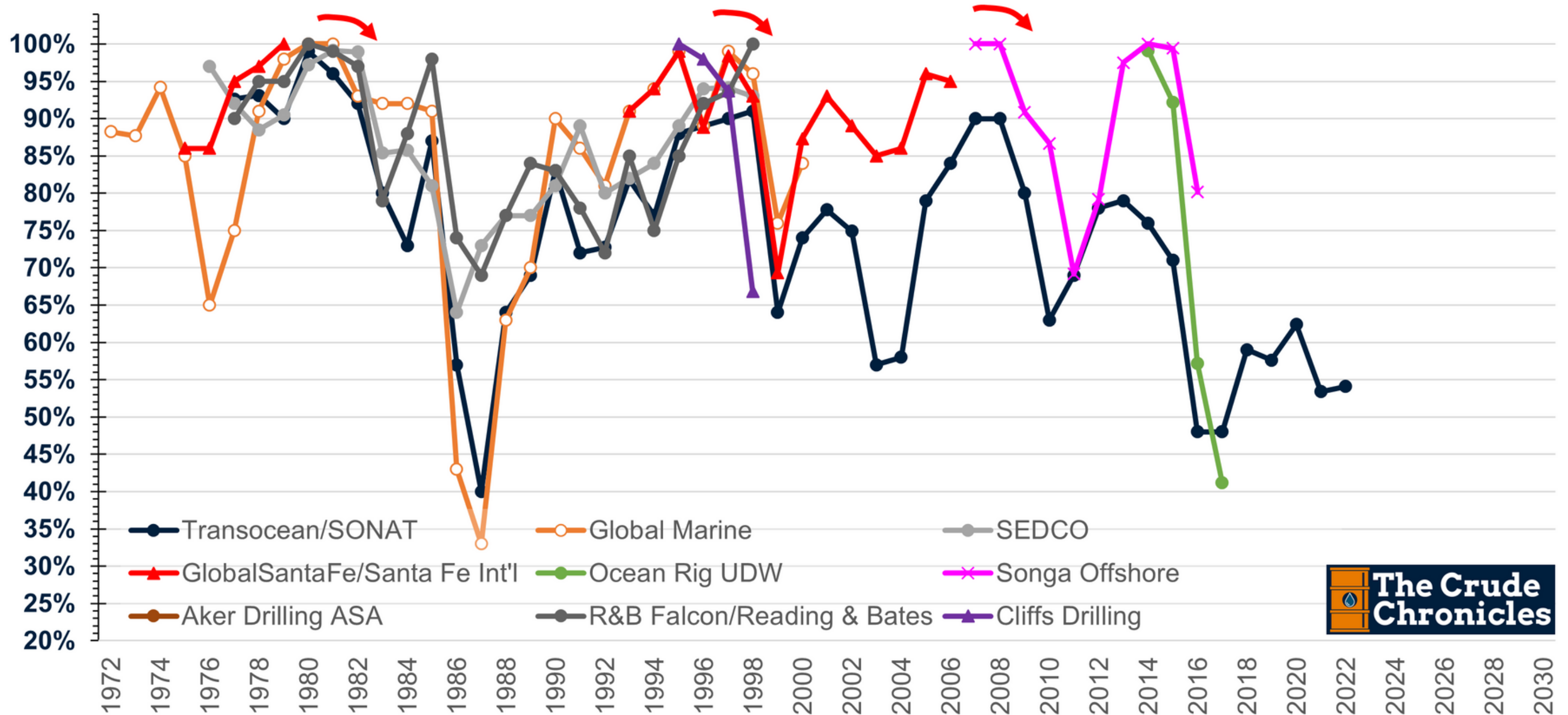
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# Stage 5 - A deluge of boats begins to hit the market and utilization rolls over.

## Transocean Companies' Offshore Utilization



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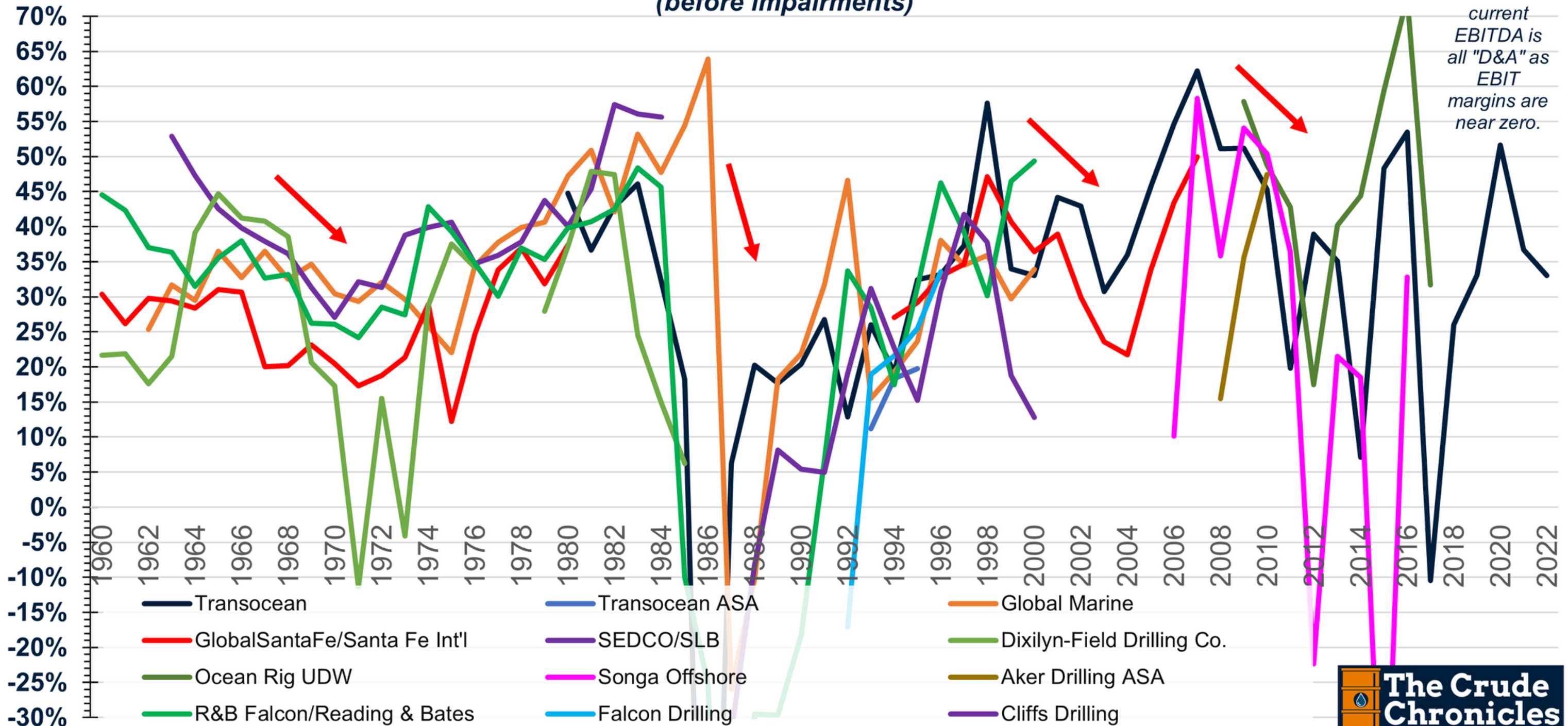
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# Stage 5 continued - Which in turn causes day rates and margins to fall.

## Transocean Companies EBITDA margins (before impairments)



Sources: Company Annual Reports, thecrudechronicles.substack.com

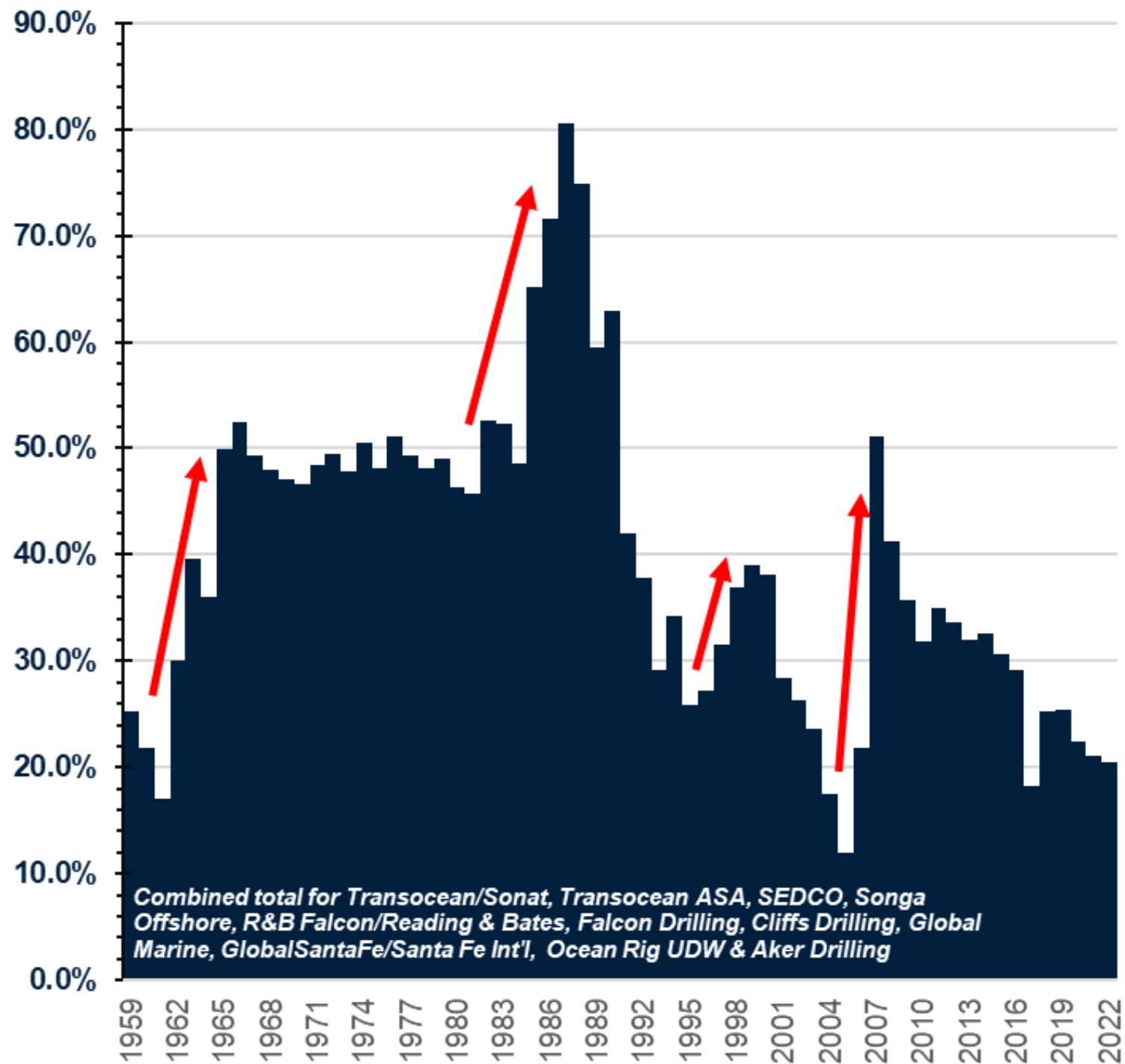
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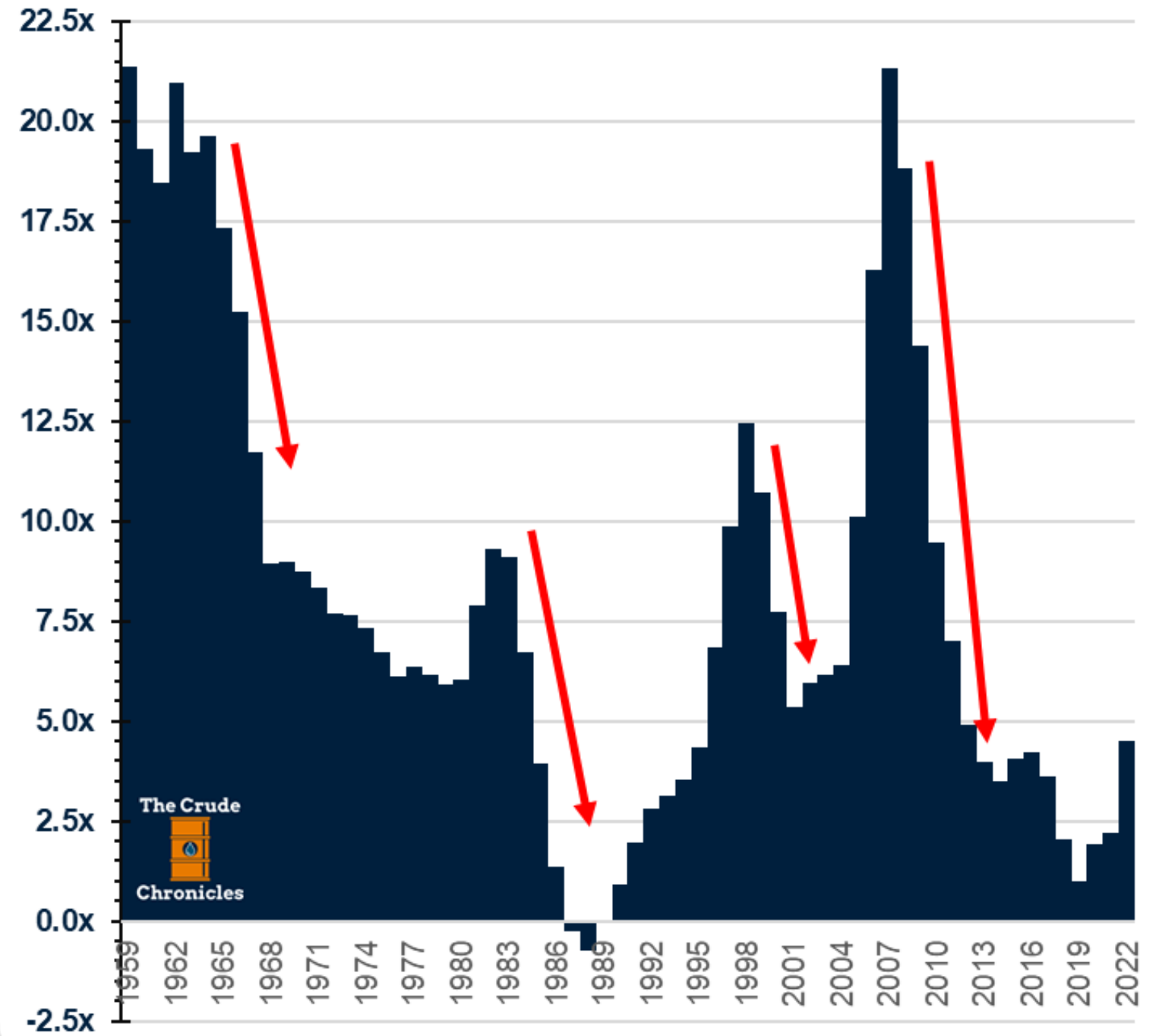


# Stage 6 - An industry-wide balance sheet recession begins followed by consolidation and recapitalization.

## Offshore Industry Debt to Capital



## EBITDA/Interest Coverage Ratio, 3 year moving average



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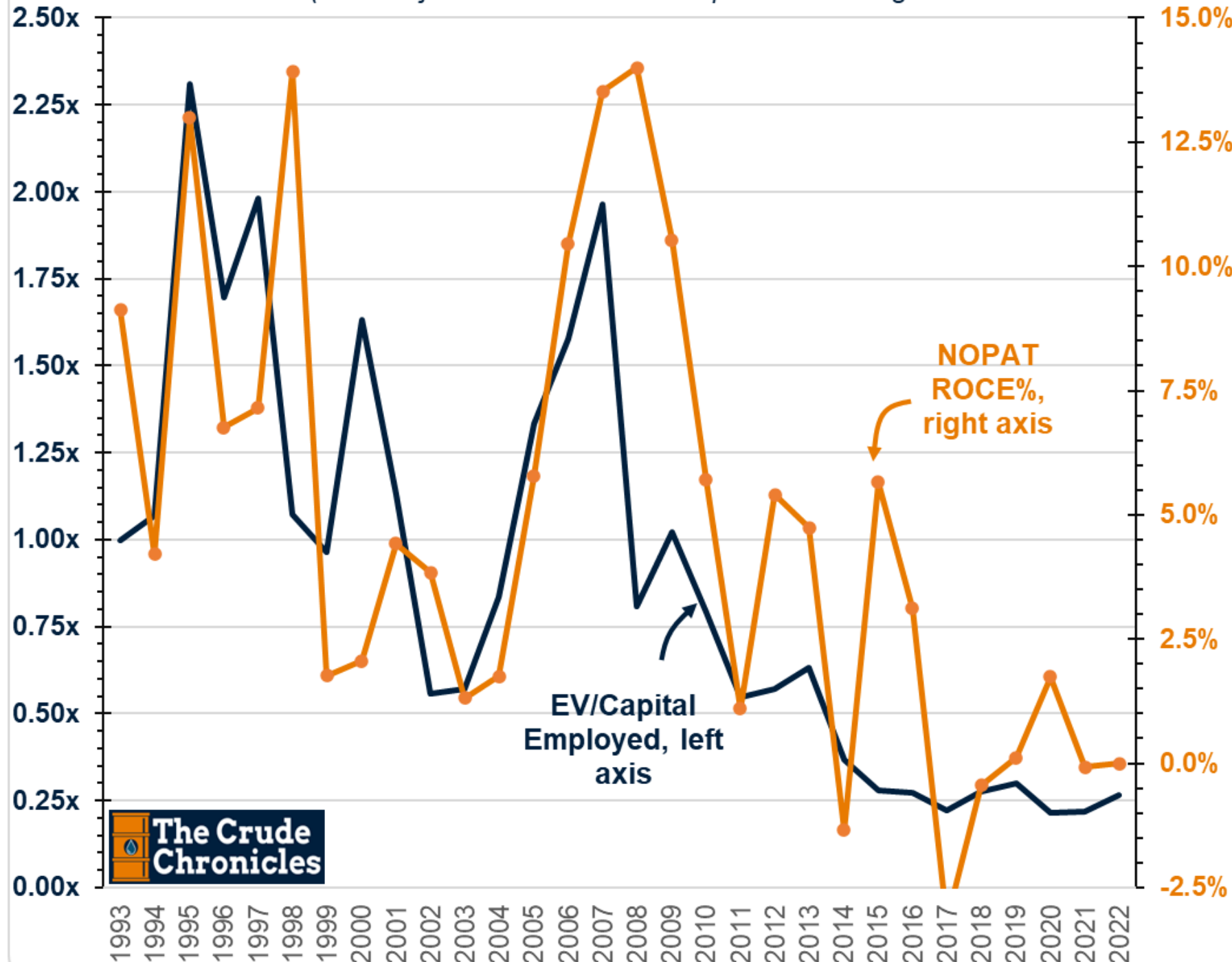
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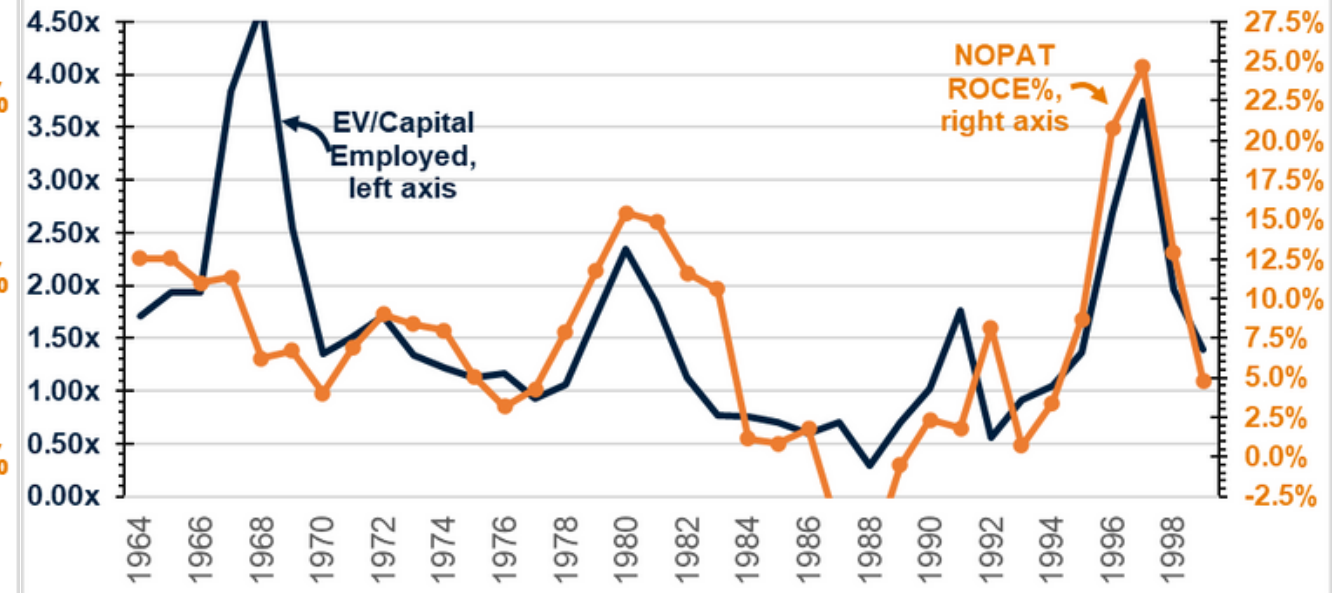


The “multiple” irony of the offshore industry. They all chase day rates and utilization. Yet, this industry doesn’t get a multiple on either but rather *returns on capital*.

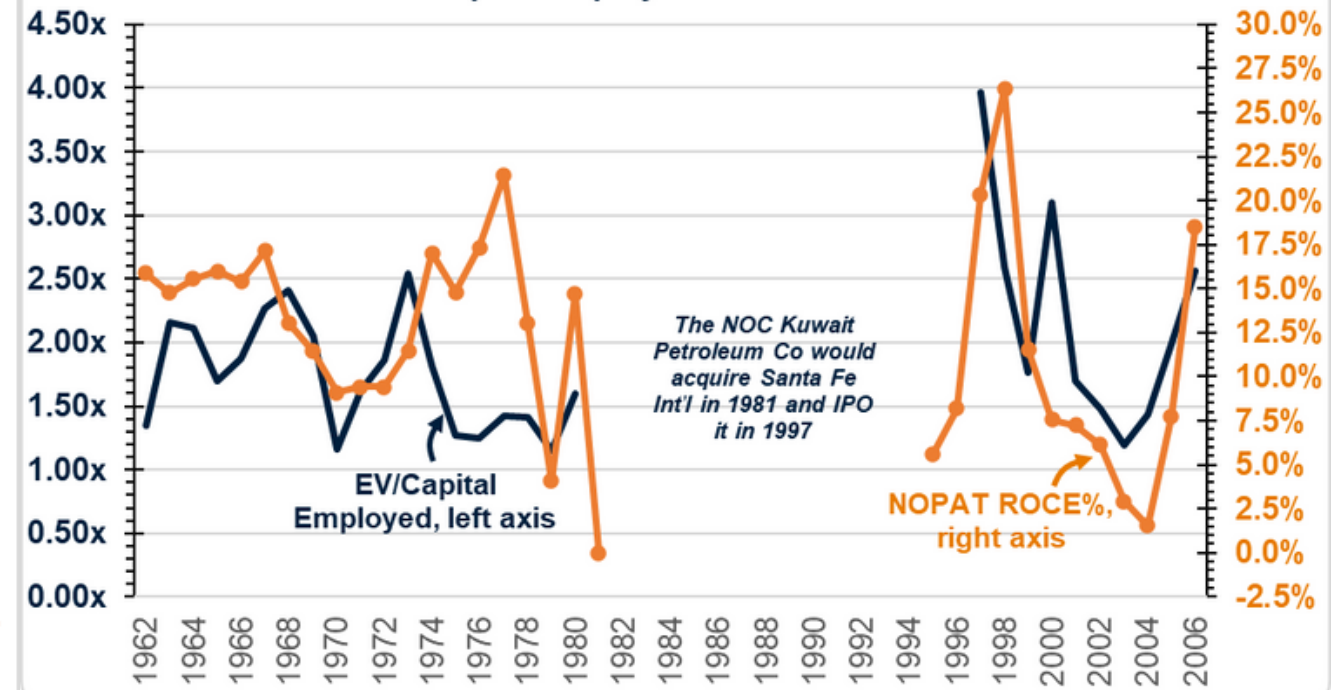
**Transocean**  
**EV/Capital Employed vs. NOPAT ROCE**  
*(Both adjusted for non-cash impairment charges)*



**Global Marine**  
**EV/Capital Employed vs. NOPAT ROCE**



**GlobalSantaFe (Santa Fe Int'l)**  
**EV/Capital Employed vs. NOPAT ROCE**



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