



Buyer Beware

“KONNICHIWA, O GENKI DESU KA?” BEFORE WE COULD EVEN OPEN A GOOGLE TRANSLATE APP, THE VOICE WENT ON IN PERFECT ENGLISH. “WE’LL BE IN OUR LONDON OFFICE TOMORROW AND WOULD LIKE TO DISCUSS A DRILLING.”



BY JUAN HORRILLO
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Our new client was the shipping arm of one of Japan’s biggest multinationals. Keen to expand its interests in the upstream oil and gas world, the firm was seeking a likely target. Four new semisubmersible drilling units had just popped onto their radar. An interesting investment certainly; but with a multi-billion dollar price tag attached, caution was prudent.

They had already assembled an internal due diligence team of number-crunchers and contract specialists, but needed independent technical knowledge of drilling rigs to complete the picture. “We need you to help us understand the industry and market-specific risks, so our board can make a fully informed decision,” the VP of business development told us.

Within a few days, we’d despatched a due diligence team of our own to Korea, where the drilling contractor was based. As our drilling rig experts inspected the plans for the new builds firsthand, our commercial team back home in London was busy

pulling together market intel and a risk synopsis specifically for this investment opportunity.

Our technical guys on the ground were tasked with analyzing the proposed design and construction of the semisubs—as well as the delicate business of probing the planned operational budget and controls. Ours is a small world, and some of the target contractor’s management and site teams knew of us and our drilling rig track record. Being evaluated by an experienced

So what?

Our independent assessment of the technical, operational, commercial and market aspects of our client’s drilling rig opportunity gave our client the confidence to make an investment decision. In the event, the investment board chose not to proceed, citing our findings as crucial to their verdict.

A few months later, the target driller made industry headlines with mounting financial difficulties and operational issues. Its S&P rating was downgraded and the CEO resigned. Our client had followed the story and thanked us for our balanced input, which had ultimately protected them from a significant financial loss and large commercial headache.

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independent peer puts them at ease, allowing us to quickly understand their approach and the pros and cons of the deal.

With our multidisciplinary team, we investigated the drilling contractor’s track record with an eye to how they would follow through on the rigs’ build and operations. Complementing the technical analysis was a ten-year drilling rig market analysis and a commercial risk model that dovetailed seamlessly with the contractual analysis of our client’s own legal team.