# Tullow Oil plc

Tullow Oil plc | 2020 Full Year Results

10 March 2021

# Disclaimer

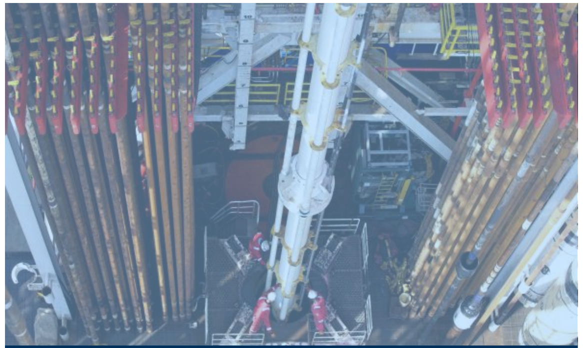
This presentation contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business.

Whilst Tullow believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Group's control or within the Group's control where, for example, the Group decides on a change of plan or strategy.

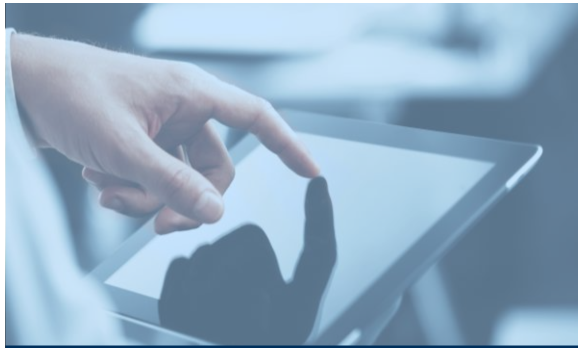
The Group undertakes no obligation to revise any such forward-looking statements to reflect any changes in the Group's expectations or any change in circumstances, events or the Group's plans and strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements

# 2020 Full Year Results

## Agenda

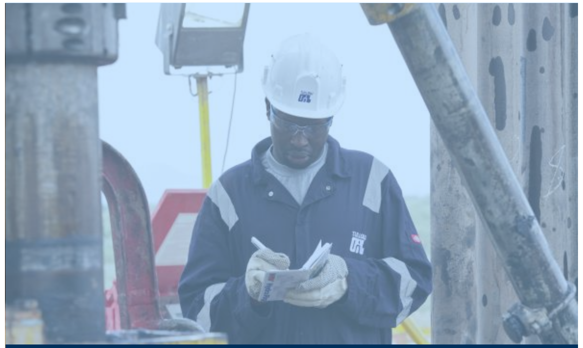


Overview



Financial

Operations



Conclusion

## Presenters

**Rahul Dhir**
Chief Executive Officer

**Les Wood**
Chief Financial Officer

# OVERVIEW

# 2020 Full Year Results overview

## Operations

- Production in line with guidance at 74,900 bopd
- Ghana – improved operational performance underpinned by gas offtake and water injection
- Non-op – diversified portfolio delivering stable and sustainable production
- Kenya – licence extended and development concept under review
- Exploration – focus on unlocking value

## Financial

- Results in line with expectations despite a challenging year
- Self-help of c.$1bn putting Tullow on a firmer financial footing

## Portfolio Management

- Uganda – sale completed in November 2020 and $500m proceeds received
- Equatorial Guinea and Dussafu – up to $180m sale announced in February 2021
- Optimising exploration portfolio

## Strategic

- Strategic focus on low-cost production assets
- Targeting Net Zero by 2030 (Scope 1 & 2)
- Capital Markets Day laid out 10-year Business Plan to deliver c.$4bn pre-financing cash flow at $55/bbl
- Well positioned for price upside – incremental $1.5bn at $65/bbl over 10 years

# Entering delivery mode and executing the plan

Operational turnaround

Cost focus

Capital discipline

Geoscience

## Production base with material resource play

2021-30

>95% uptime target

<$11 opex/bbl target

c.$2.7bn 2021-30 capex

>40% oil recovery

>600 mmbbls 2P/2C from producing assets

c.$7 to $8.5bn underlying operating cash flow[1]

c.$4 to $5.5bn pre-financing cash flow[2]

Upside
Undeveloped resource and gas commercialisation

>90% capital allocation

## Significant positions in discovered and emerging basins

171 mmbbls Net 2C Kenya

c.900 mmboe Net risked prospective resources in emerging basins

Unlocking value

Managing capital exposure

1 Cash flow from operating activities, before debt service, capital investment and decommissioning expenditure

2 Cash flow from operating activities less capital investment and decommissioning expenditure

1&2 Bottom of range based on CMD assumptions of $45/bbl in 2021, $55/bbl flat nominal in 2022+. Top of range based on $65/bbl flat nominal in 2021+

NB Excludes impact of Equatorial Guinea and Dussafu sales

# Key priorities for 2021

## Operational turnaround

- Deliver low-cost production within guidance range 60,000-66,000 bopd
- Initiate drilling campaign in Ghana and deliver production growth from 2022 onwards

## Cost and capital discipline

- Pursue continuous improvement to reduce costs
- Drive drilling costs down by c.20%

## Capital structure

- Confirm refinancing agreement in first half of the year
- Liquidity position improving with self-help and oil price

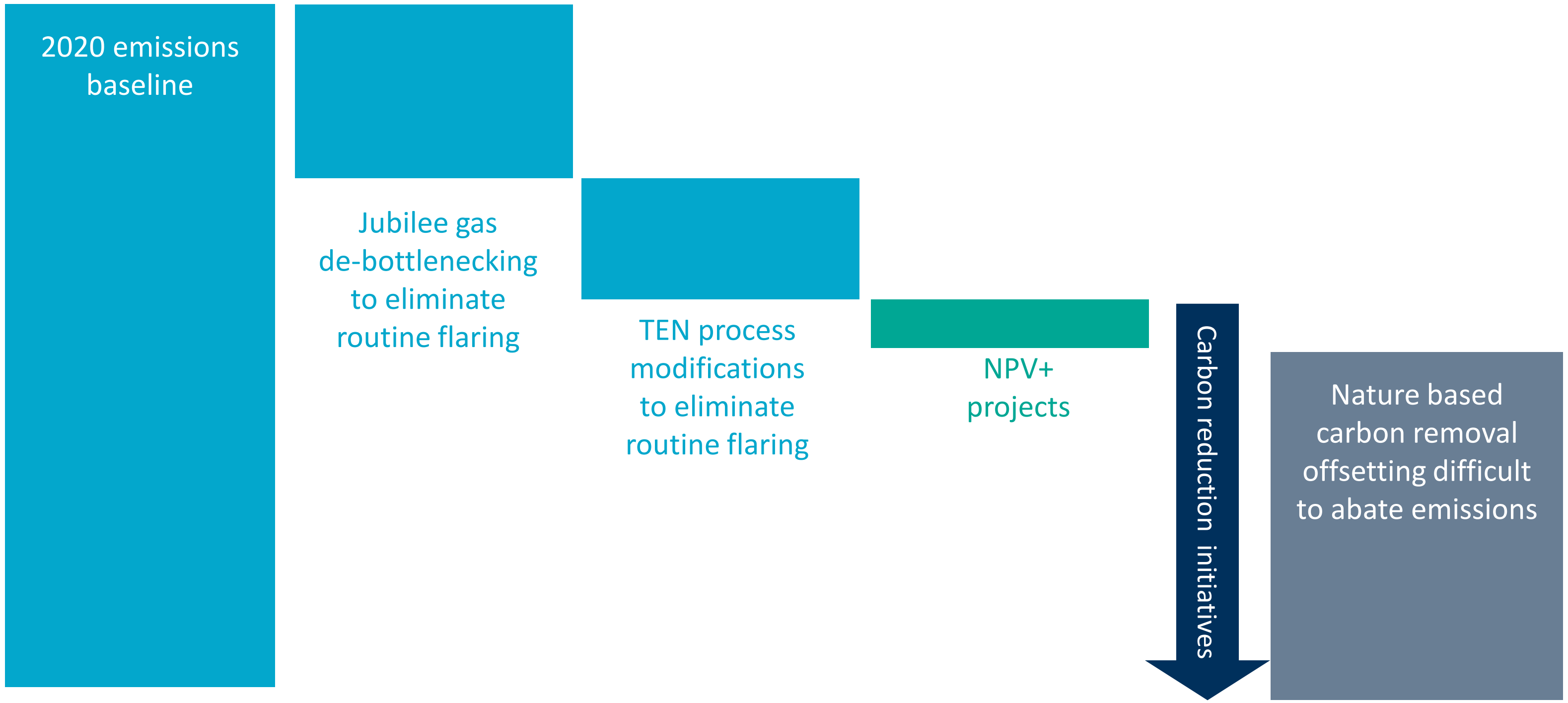
## Unlocking portfolio value

- Kenya project redesign
- Complete GVN-1 well in Suriname
- Prospect maturation in Guyana

Every barrel matters & every dollar counts

# Targeting Net Zero by 2030 (Scope 1 & 2)

## Pathway to carbon neutrality in 2030




JV partner collaboration | Alignment with government priorities | Governance and executive incentives

13 CLIMATE ACTION

Interim target of 40-45% reduced emissions[1] by 2025

Target elimination of routine flaring by 2025

Long-term gas offtake options support Net Zero ambition

[1] Net equity emissions

# FINANCIAL

Tullow Oil plc | 2020 Full Year Results

# Financial highlights

## Self-help delivering c.$1bn over two years

- Uganda, Equatorial Guinea and Dussafu sales to raise over $0.7bn with further upside potential
- Annual cost savings of >$125m from headcount reduction, outsourcing and efficiencies

## Cash flow generation supports deleveraging and value creation

- Free cash flow in 2020 of $432m, including Uganda proceeds
- Self-funded business plan generates c.$4bn pre-financing cash flow at $55/bbl

## Prudent commodity risk management

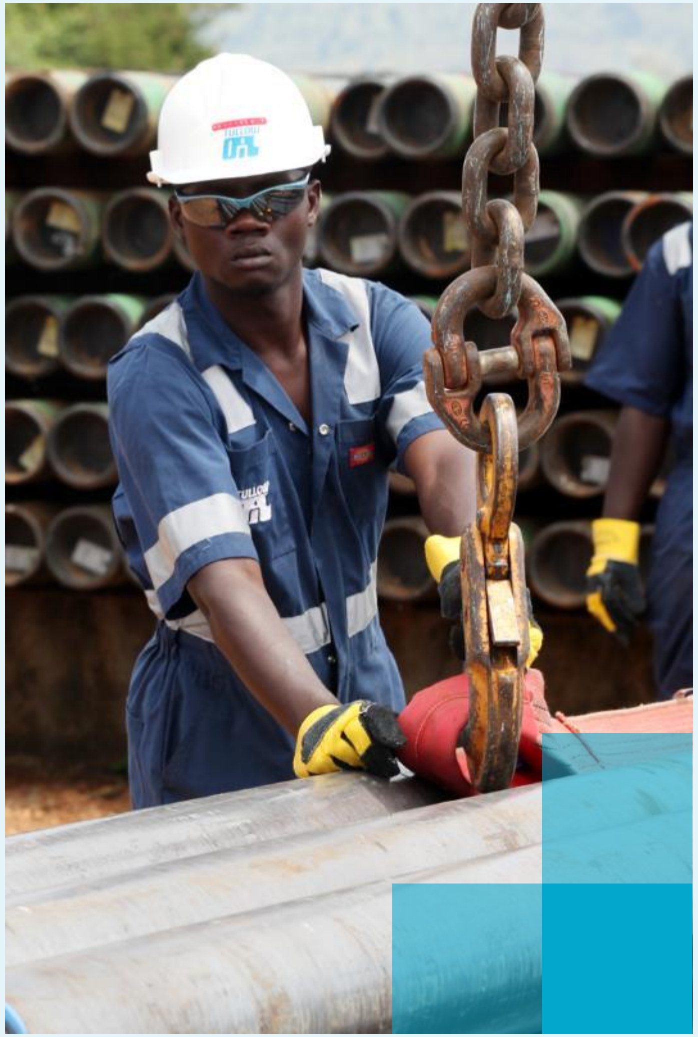
- Reduce revenue volatility through hedging programme, delivered $219m in 2020
- Critical downside protection, whilst retaining access to the upside

## RBL redeterminations supported by material reserves base

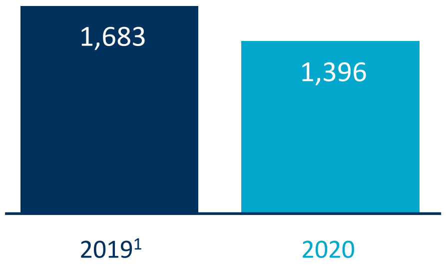
- March and September 2020 redeterminations completed in challenging environment
- January 2021 redetermination completed with debt capacity of $1.7bn

## Constructive refinancing discussions ongoing

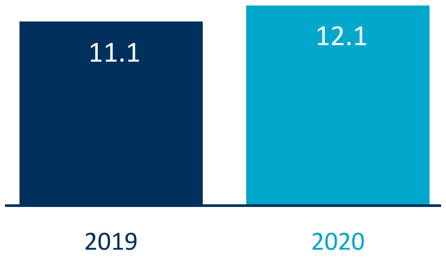
- Debt refinancing options being progressed with creditors
- Strong operational delivery, self-help and higher commodity prices providing positive impetus



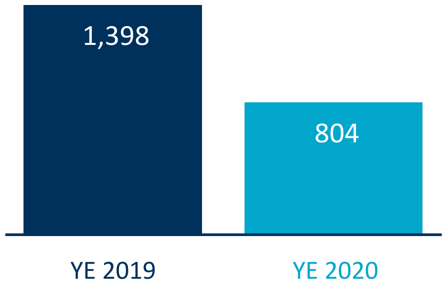
# 2020 Full Year Results



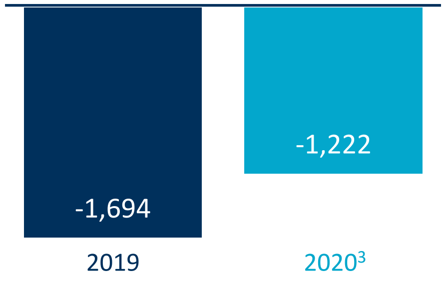

Revenue ($m)



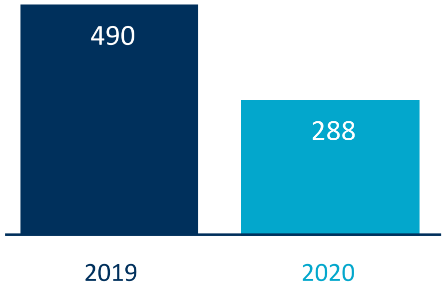

Opex ($/boe)[2]



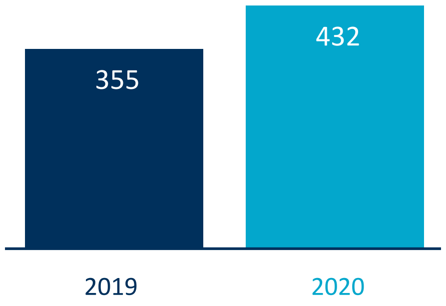

Adjusted EBITDAX ($m)



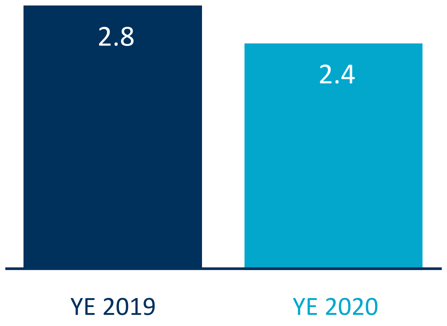

Loss after tax ($m)



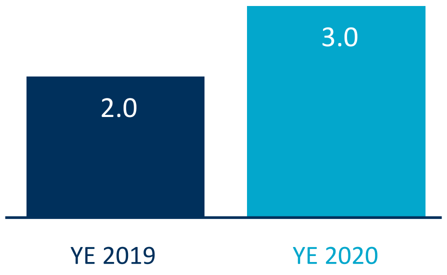

Capital investment ($m)




Free cash flow ($m)




Net debt ($bn)




Gearing[4] (x)

[1] *Includes Corporate Business Interruption insurance*
[2] *Includes turret remediation and COVID related costs*
[3] *Loss impacted by impairments and write-offs*
[4] *Net debt / EBITDAX*

# Addressing near term debt maturities

## Self-help...

- Annual cash savings >$125 million
- Uganda sale - $575 million plus deferred consideration
- Equatorial Guinea and Dussafu sales - $180 million
- Self-funded and cash generative Business Plan at $55/bbl flat nominal
- Cost discipline and value driven mindset

... delivering c.$1 billion over two years

## RBL redeterminations...

- March and September 2020 redeterminations completed in challenging environment
- RBL debt capacity confirmed at $1.7 billion in February 2021
- Reflects six months of production and removal of sold assets

... resulting in c.$0.9 billion of liquidity headroom

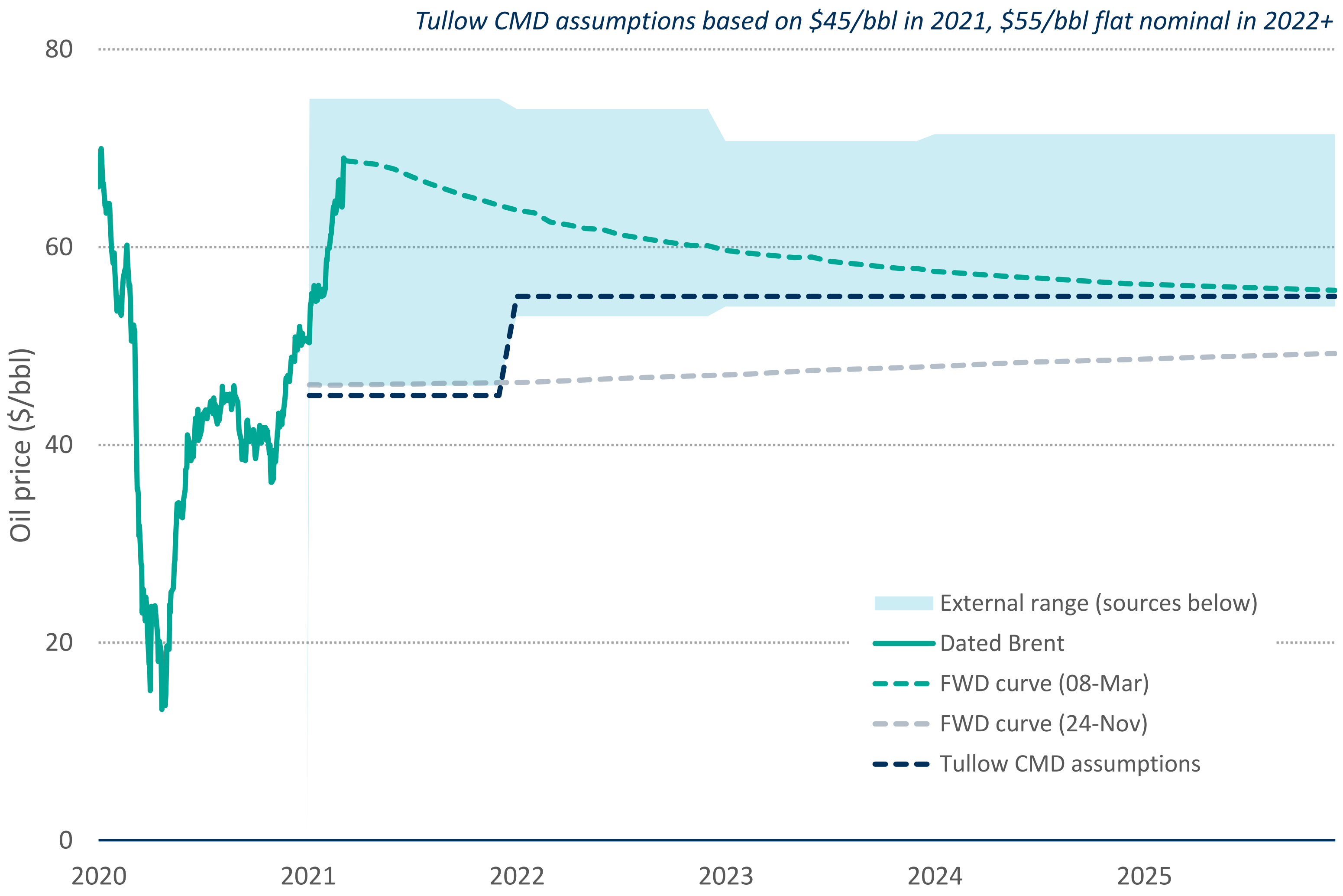
## Refinancing...

In progress

- Constructive discussions with representatives of banks and bondholders
- Agreement expected in the first half of 2021

... discussions underpinned by Business plan

# Conservative assumptions in a volatile environment




## 2020

Dramatic crash and rebound following OPEC+ deal, vaccines

## Hedging

remains a key risk management tool

## $55/bbl and $62/bbl

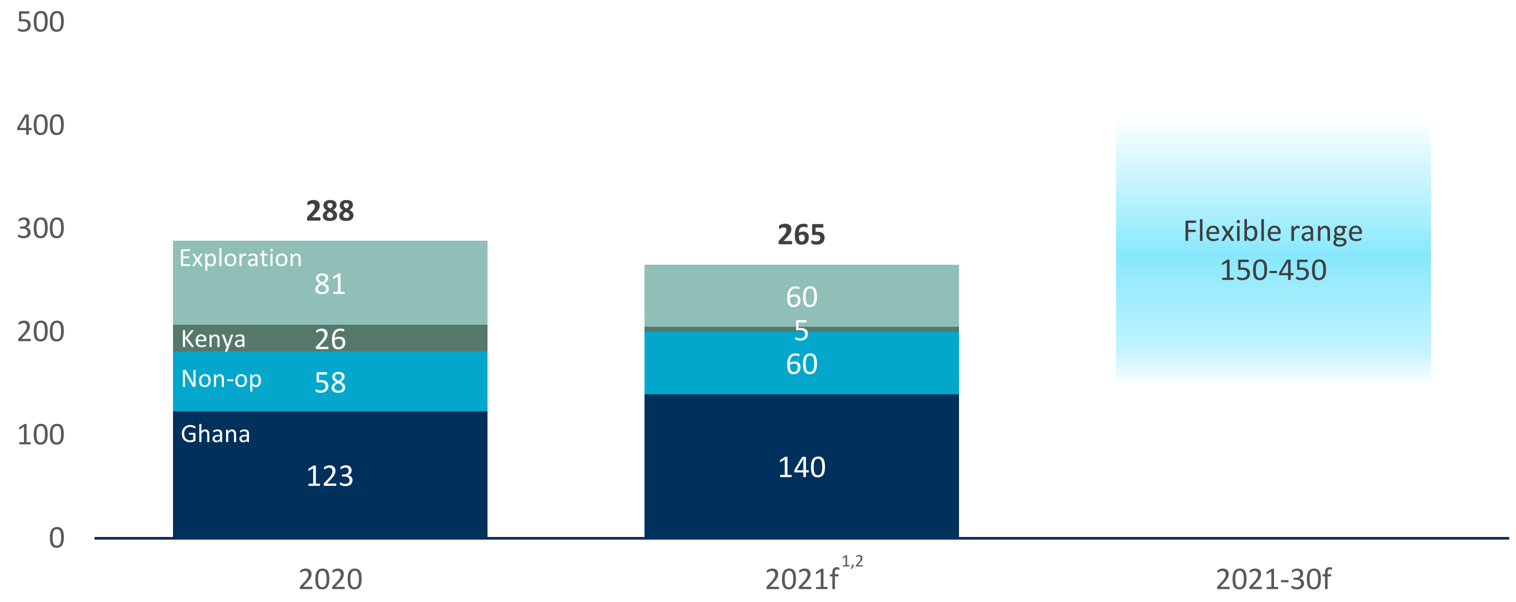
Realised prices in January and February 2021

[1] As of 9 March 2021, hedge position 2021: 40,000 bopd hedged at $48/bbl, 2022: 11,000 bopd hedged at $41/bbl

*Sources: Bloomberg, Tullow data and External range based on: Arden, Auctus, Barclays, Berenberg, BNP, Canaccord, Cenkos, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, Hannam, Investec, Jefferies, JPM, Morgan Stanley, Mackie Research, Panmure Gordon, Peel Hunt, RBC, Shore Capital, Societe Generale, Stifel, Tennyson, UBS and WH Ireland*

# Allocating capital towards producing assets

## Maintaining a flexible capex range ($m)



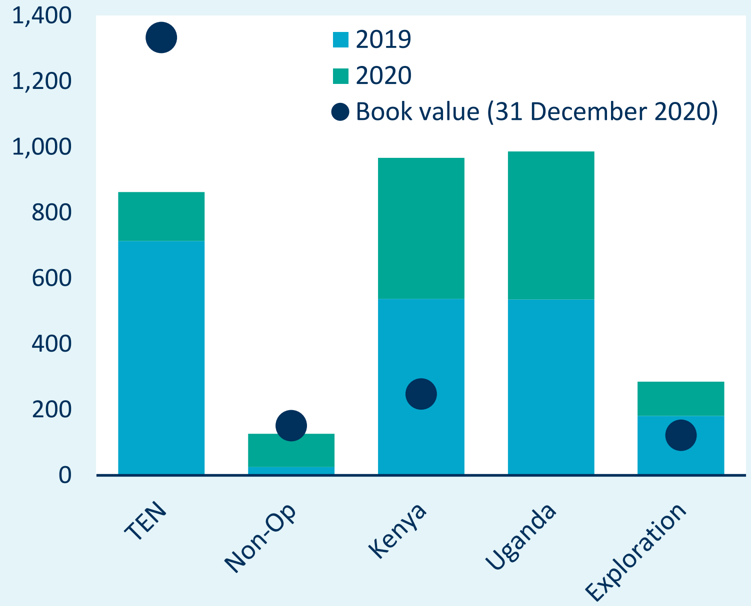

Ability to reduce capital to respond to volatile oil price environment

2022+ investing >90% of capital expenditure in producing assets

2021-30 $2.7bn of total investment[1]

[1] *Majority of exploration expenditure in 2020-21 relates to existing commitments*
[2] *Excludes impact of Equatorial Guinea and Dussafu sales*

## Impairments and write-offs ($m)

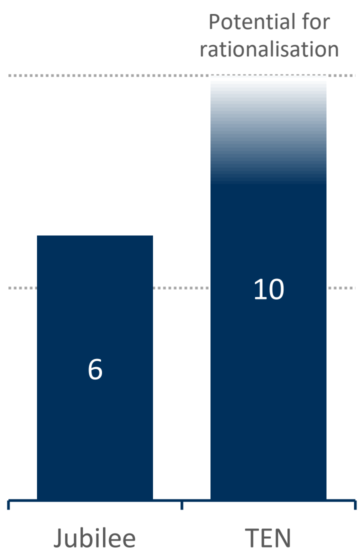



### Significant impairments and write-offs recorded in 2019 and 2020

- Driven by lower oil prices
- Historical investment activity at high oil prices
- Material delays to project FIDs in East Africa
- Unsuccessful exploration activity

# Jubilee and TEN: Structurally advantaged assets

## 2021-30 opex ($/boe)




## Attractive portfolio of African production investments


[1] *Based on $45/bbl in 2021, $55/bbl flat nominal in 2022+*

Low cost assets with flexibility in investment profiles

Historic (net) capex $5.7bn

2021-30 (net) capex $2.1bn

2021-30 capex allocation

Wells: 75%

Opportunities to tie back wells with low spend on infrastructure

# 2021 Guidance

## Key guidance figures

**60-66**kbopd
Production

**$265**million
Capex

**$100**million
Decommissioning

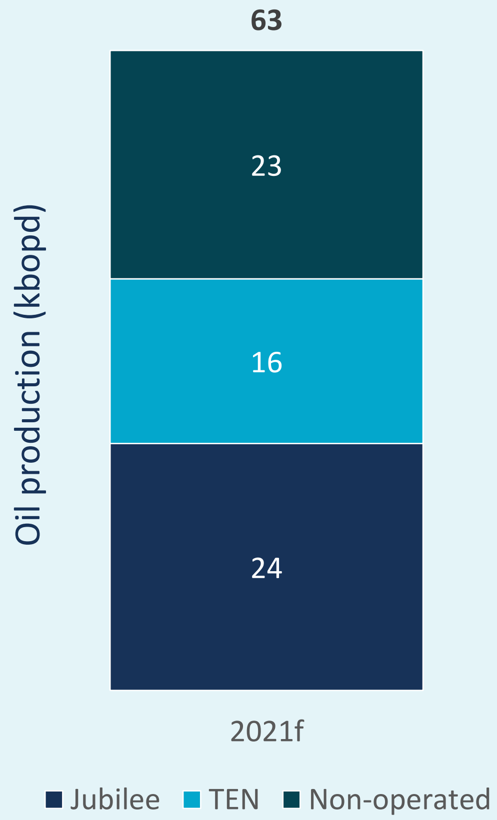
c.$**12**/boe
Opex

$**0.5**billion
Underlying operating cash flow
At $50/bbl & 63kbopd

$**0.2**billion
Pre-financing cash flow[1]
At $50/bbl & 63kbopd

*[1] Pre-financing cash flow sensitivity of c.$100 million per +$10/bbl up to $70/bbl*
*[NB] Excludes impact of Equatorial Guinea and Dussafu sales. Sales increase 2021 pre-financing cash flow to $0.3bn*

## Group production breakdown



# OPERATIONS

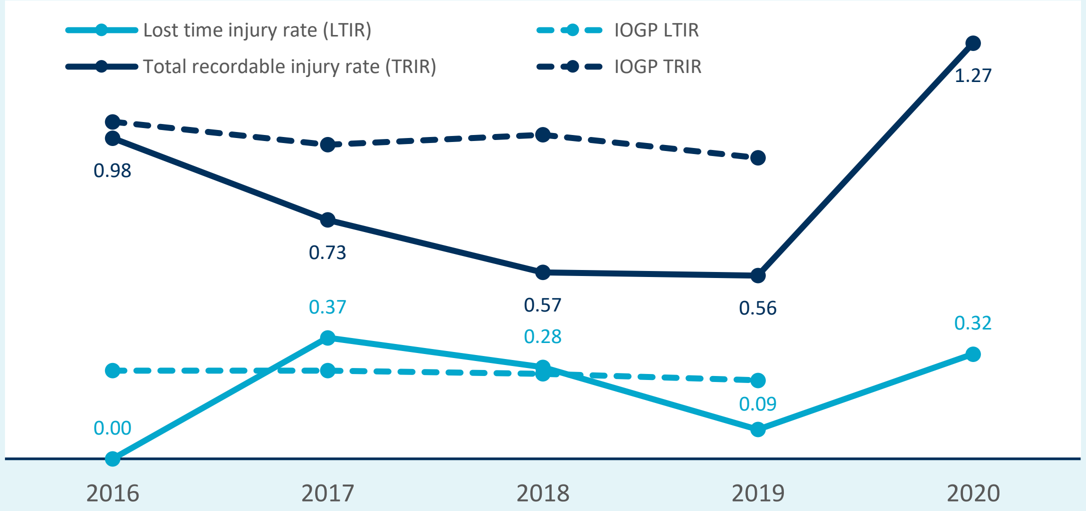
Tullow Oil plc | 2020 Full Year Results

# Commitment to health and safety

## COVID-19

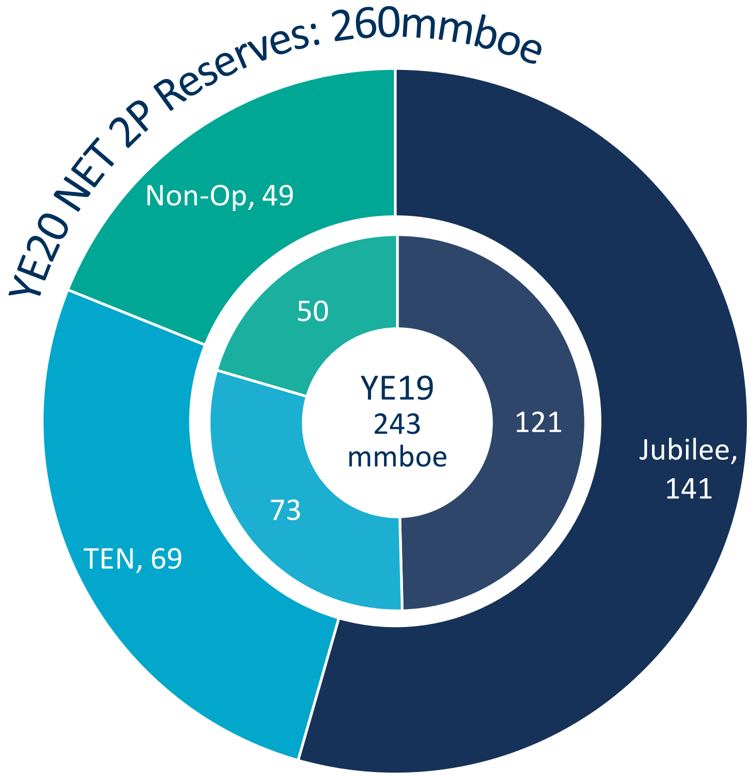
- Close co-operation with Government of Ghana
- Successful management of outbreak offshore Ghana (mid 2020)
  - → Both FPSO operations impacted
  - → Managed responsibly and effectively
  - → No disruption to production
- Business continuity plans in place and operations running as normal
- Ongoing health and wellbeing programme to support physical and mental wellbeing of staff

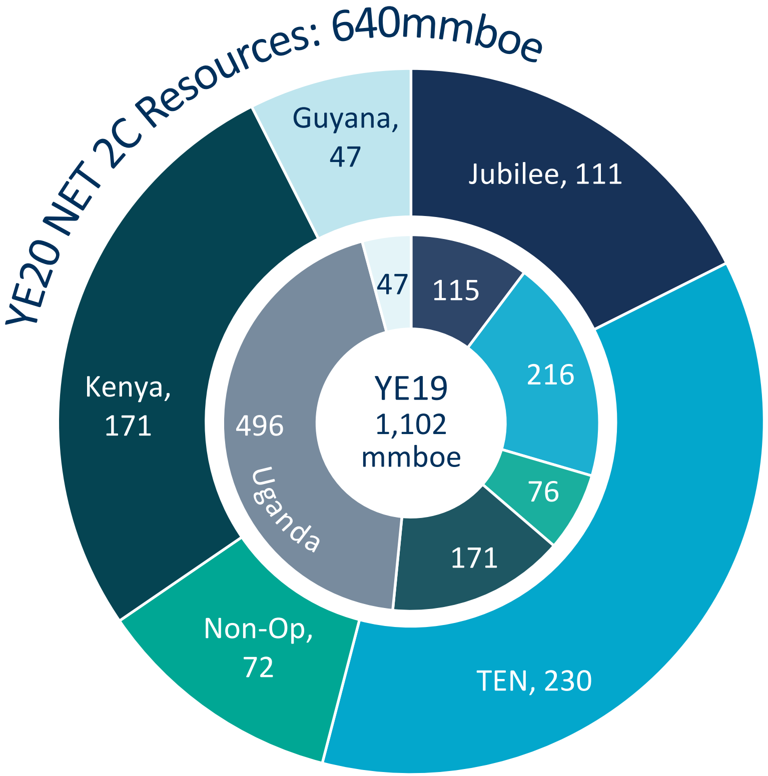
## Safety




- Zero recordable incidents on both Ghana FPSOs and Kenya facilities
- Eight non-critical incidents
- Reinvigorated leadership
  - → Leadership commitment charter
  - → Revised Safety Improvement Plans
  - → Relentless focus on learning

# Robust audited reserves and resources base



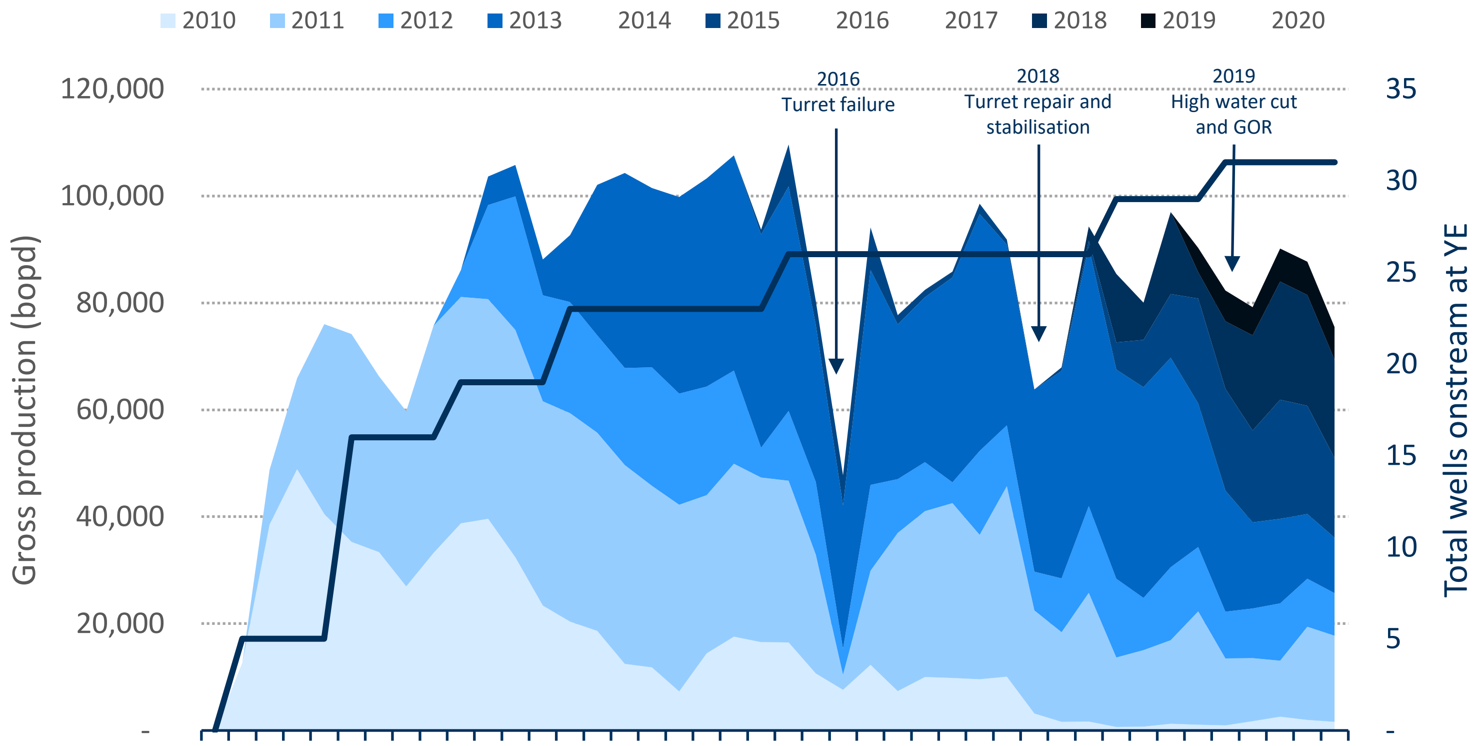

>160%

2020 reserves replacement[1]

- 2P reserves increase largely due to:
  - → Improved Jubilee performance
  - → Maturation and acceleration of Jubilee projects
  - → Jubilee drill sequence
  - → Ntomme gas injector addition
- 2C resources decrease predominately due to Uganda asset sale
- Jubilee STOIIP recovery factor[2] 17%
- TEN STOIIP recovery factor[2] 9%

[1] Including production
[2] Recovery of STOIIP as of December 2020
Capital Markets Day recovery factors (41% Jubilee and 30% TEN) inclusive of production, no further activity and defined project volumes
[NB] *Excludes impact of Equatorial Guinea and Dussafu sales.*

# Jubilee – Production driven by investment and operational performance




| Well type | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Producer | 3 | 5 | 2 | 2 | - | 2 | - | - | 2 | 1 | - | **17** |
| Water injector | 2 | 4 | - | 2 | - | 1 | - | - | 1 | 1 | - | **11** |
| Gas injector | - | 2 | 1 | - | - | - | - | - | - | - | - | **3** |

## Facilities improvements:

| | 2019 → 2020 → 2021f |
|---|---|
| Uptime | 89 → 96 → 95%+ |
| Gas export | 50 → 70 → 135 mmscf/d[1] |
| Water rate | 130 → 160 → 240 kbw/d |

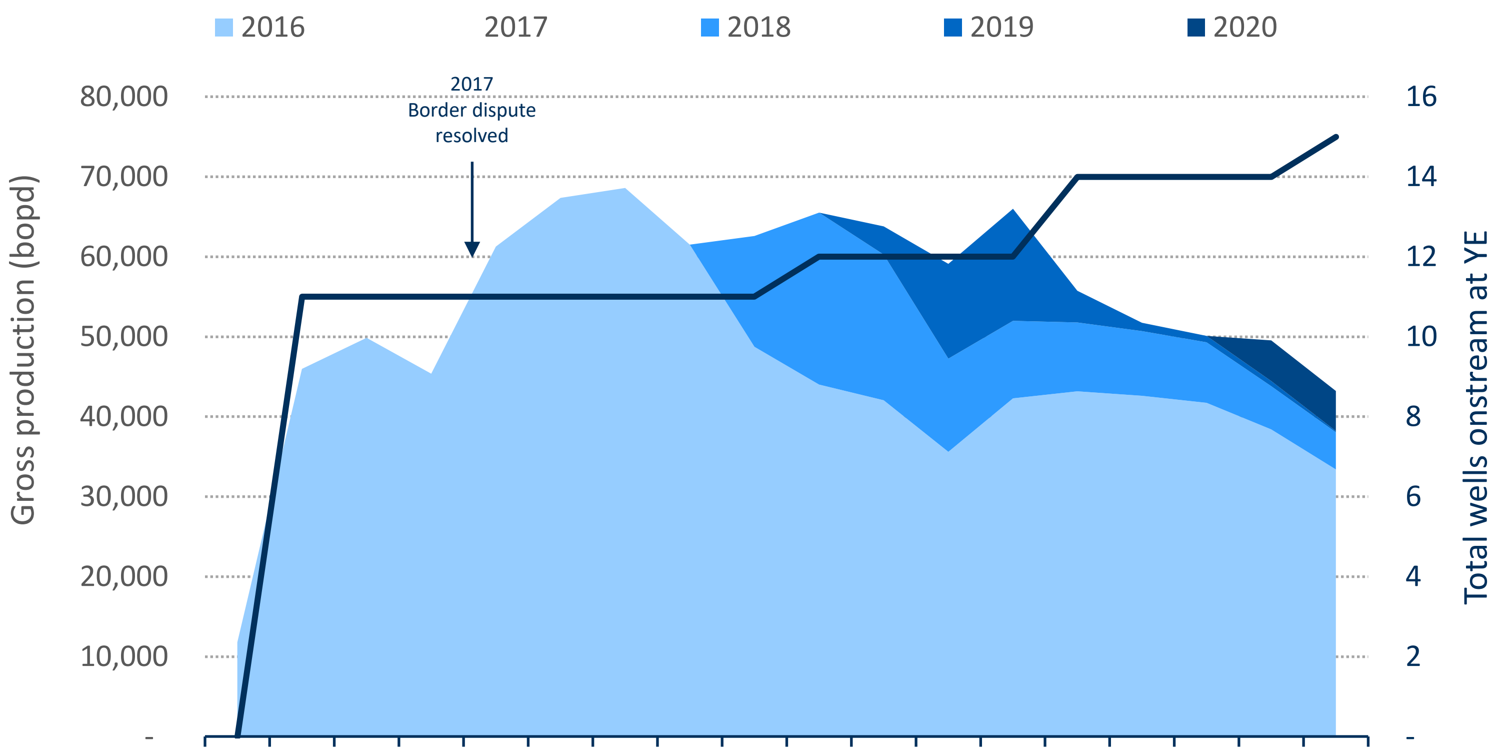
Indicative future wells 2021-30[2]

Producers >15

Water injectors >10

*[1] To be achieved through combination of TEN and Jubilee gas*
*[2] Subject to approval*

# TEN – Material additional capacity potential




| Well type | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|
| Producer | 5 | - | 1 | 1 | 1 | **8** |
| Water injector | 5 | - | - | 1 | - | **6** |
| Gas injector | 1 | - | - | - | - | **1** |

*[1] As of 31 December 2020*
*[2] Subject to approval*

## Uptime improvement:

| | 2019 | → 2020 | → 2021f |
|---|---|---|---|
| Uptime | 94 | → 99 | → 99% |

**90**mmbbls of defined projects:

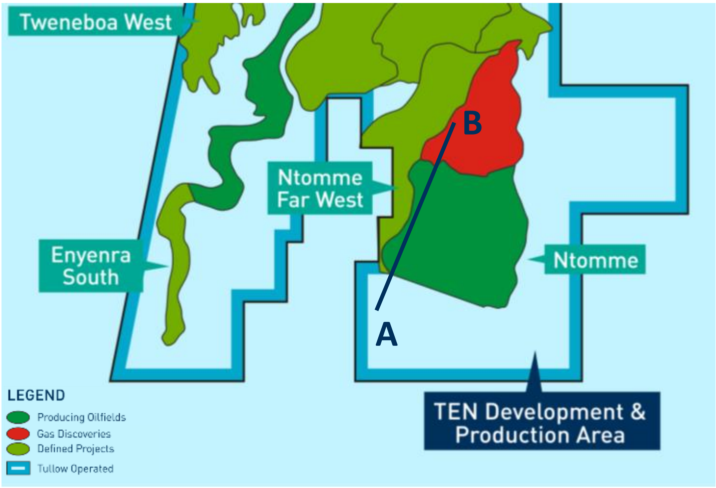
- Ntomme Far West
- Enyenra North
- Enyenra South
- Plus other opportunities

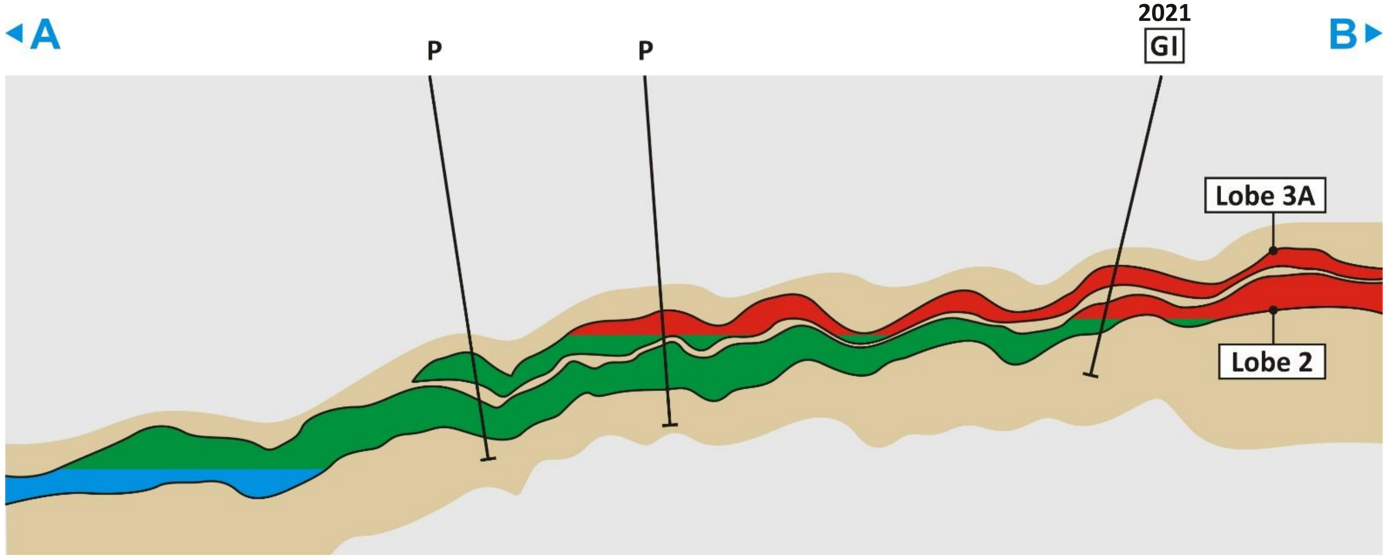
## Indicative future wells 2021-30[2]

| | |
|---|---|
| Producers | >15 |
| Water injectors | >10 |
| Gas injectors | 2 |

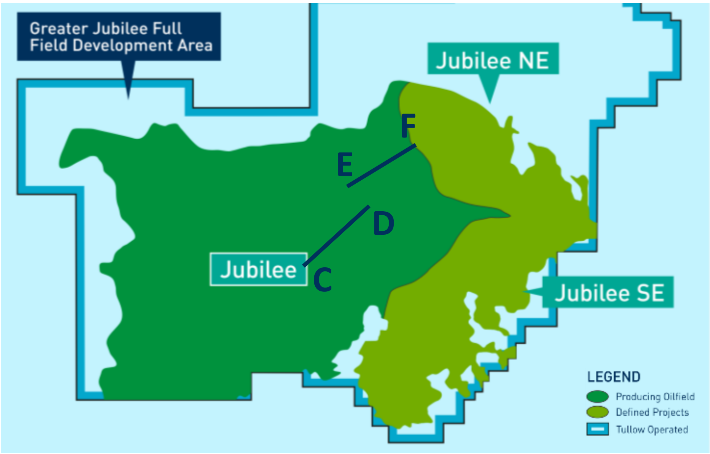
# Well-defined, low-risk opportunities

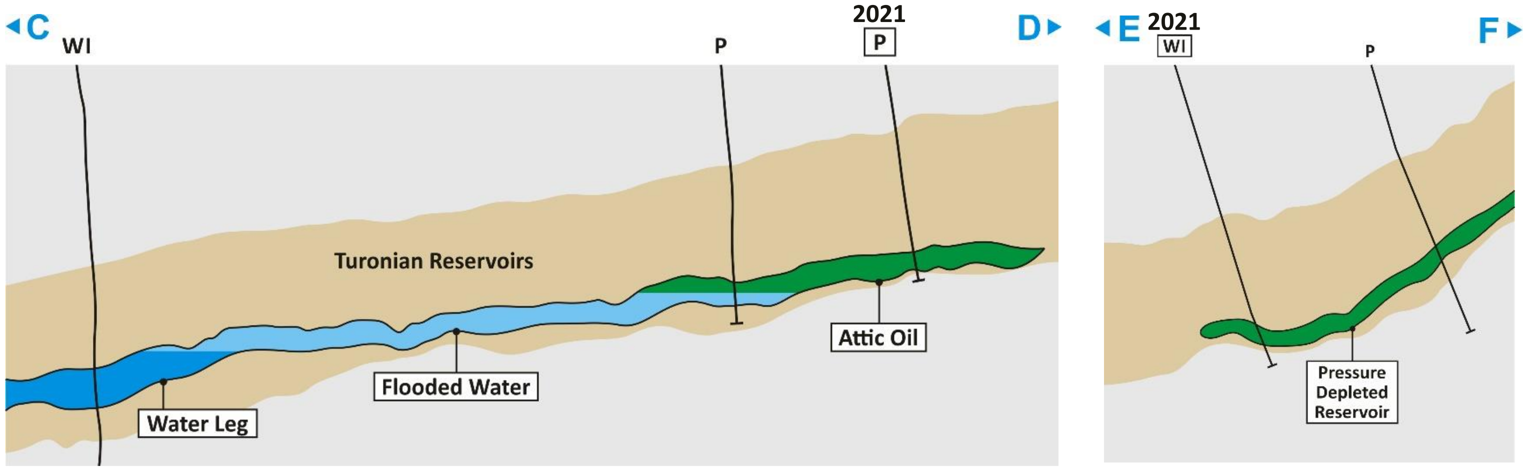
TEN




JUBILEE

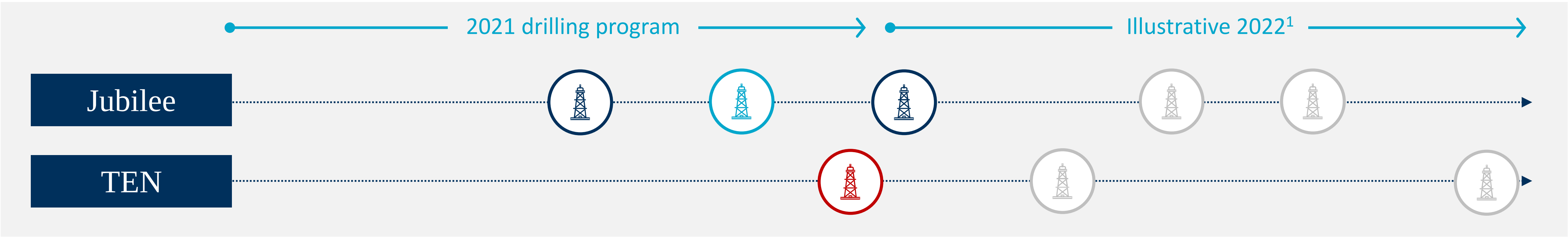


# Delivering visible production growth

## Schedule representing onstream dates

Producer | Water injector | Gas injector | Drill options



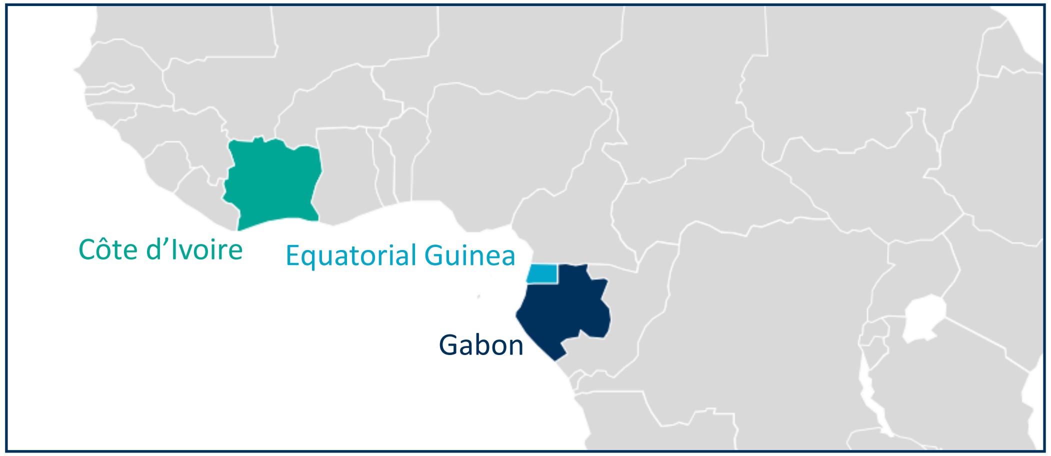

### Indicative first year incremental production impact

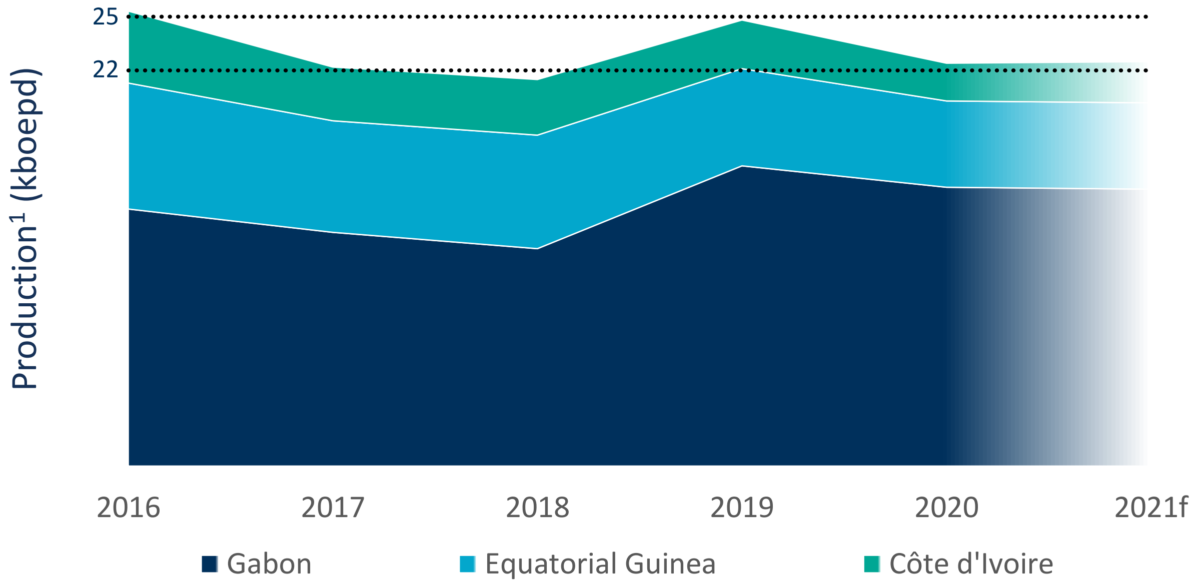
| Jubilee producers | Jubilee water injector | TEN gas injector |
|---|---|---|
| c.8,000 bopd | c.8,000 bopd | c.5,000 bopd |

**Drilling 4-5 wells in Ghana with one rig annually, can potentially be doubled from 2023 in two rig scenario**

[1] *Subject to approval*

# Stable non-operated production performance and monetisation




## Reliable, cash-generative portfolio

### Performance

Stable production c.22-25 kboepd

### Monetisation[1]

Sale of c.6 kboepd of 2021 production for $180 million

### Maturing low-risk investment options

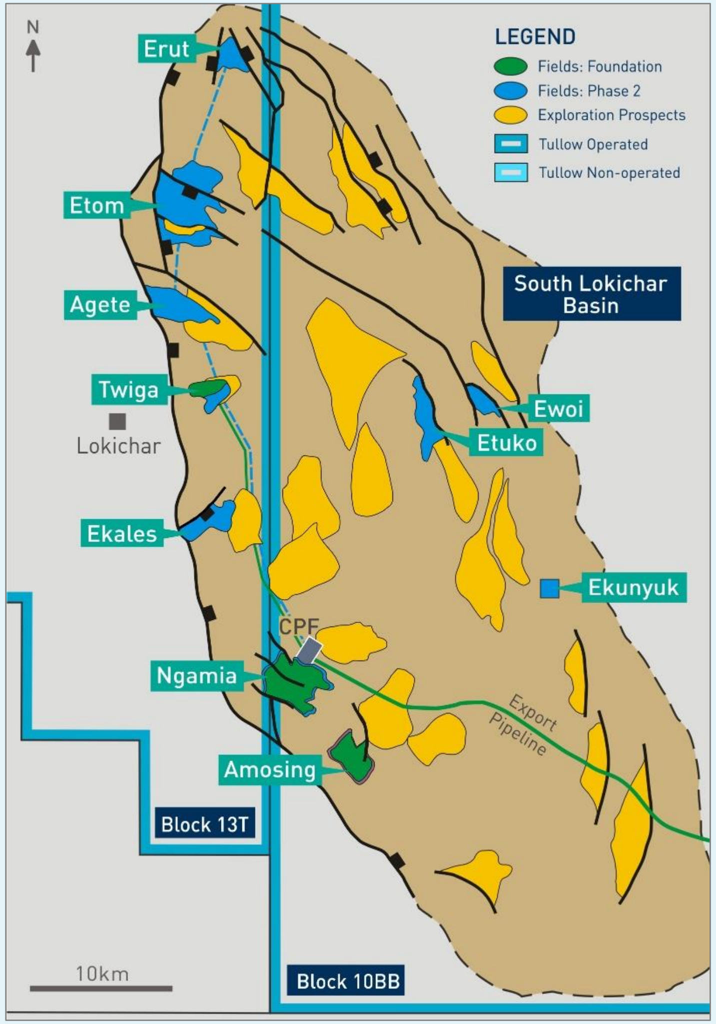
Espoir infill campaign and Simba expansion project

*[1] Production excludes impact of Equatorial Guinea and Dussafu sales*

# Kenya development redesign nearing completion

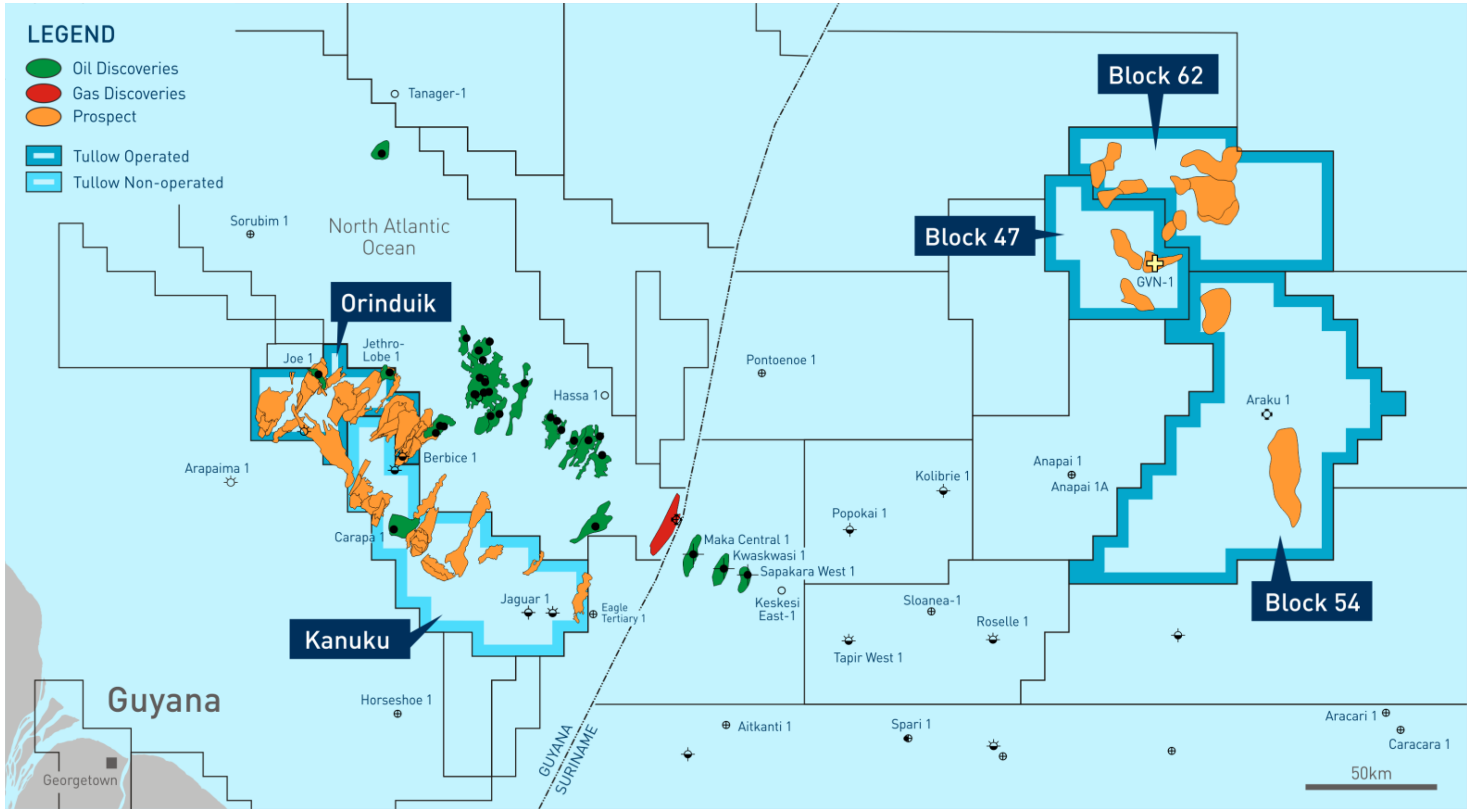
## Sustainable economic development at low oil price

| | | |
|---|---|---|
| Material high quality onshore resource base | 1.5 billion bbls STOIIP (gross) | • Shallow, productive reservoirs<br>• Light waxy crude<br>• Large onshore acreage position |
| Licences extended | December 2021 | • 2021 WP&B approved; licences extended until Dec-21<br>• Plan to fully review development concept<br>• Ensure project robust to low oil prices |
| Significant progress made to date | Upstream | • Subsurface evaluation incorporating EOPS production data to increase resource recovery within licence period<br>• Optimising surface facilities FEED and wells capex under review |
| | Midstream | • Progressing EPC Scope of Work and ITT in discussion with JVP and Government of Kenya stakeholders |
| | Commercial | • Key agreements drafted;<br>regional and international interest for pipeline financing |
| | Land, water & ESIA | • Finalising the process for land allocation for the project with Government of Kenya<br>• Progressing water allocation for the project and communities with National/County Govts<br>• Midstream ESIA progressing to public participation led by NEMA. Upstream ESIA baseline data collection nearing completion. ESIA submission planned for 2Q21 |



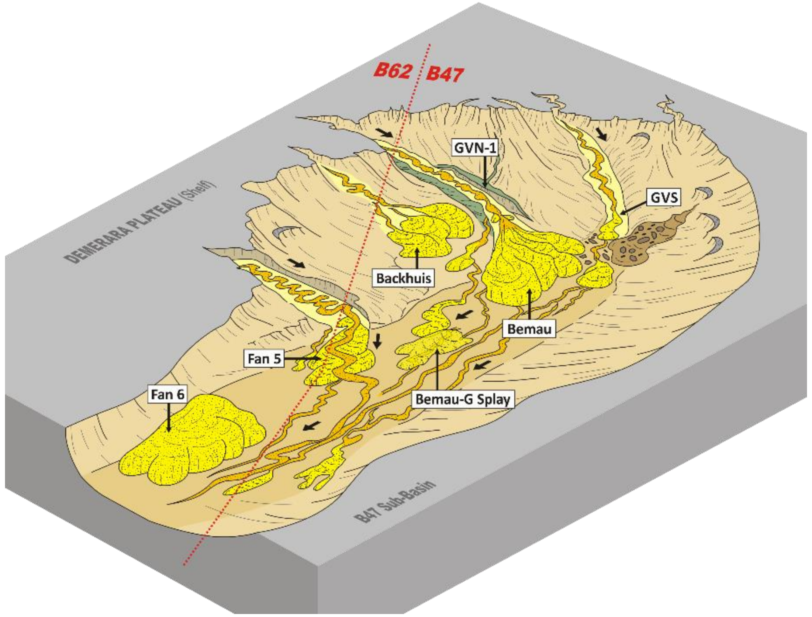
# Generating value through prospect identification and maturation

## Guyana: high grading drill candidates for 2022+




Three proven plays on Tullow acreage in Guyana and over 2bnboe net recoverable

## Suriname: GVN-1 drilling




Upper Cretaceous turbidite play

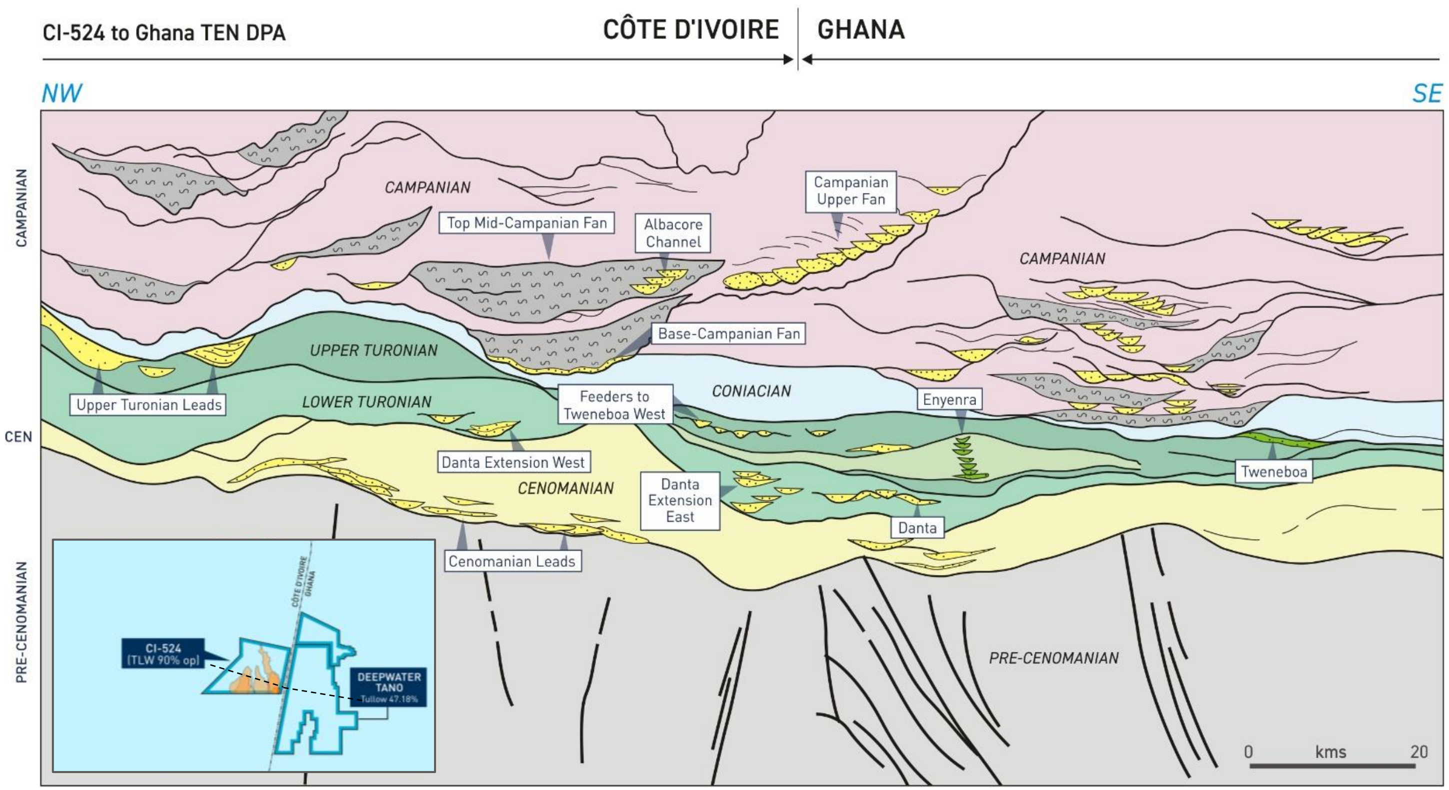
Dual targets of >400mmboe (gross) Pmean recoverable

Testing extension of working hydrocarbon system

Potential to de-risk >1bnboe (gross)

# Unlocking value in our exploration portfolio

## Côte d'Ivoire: Maturing prospects

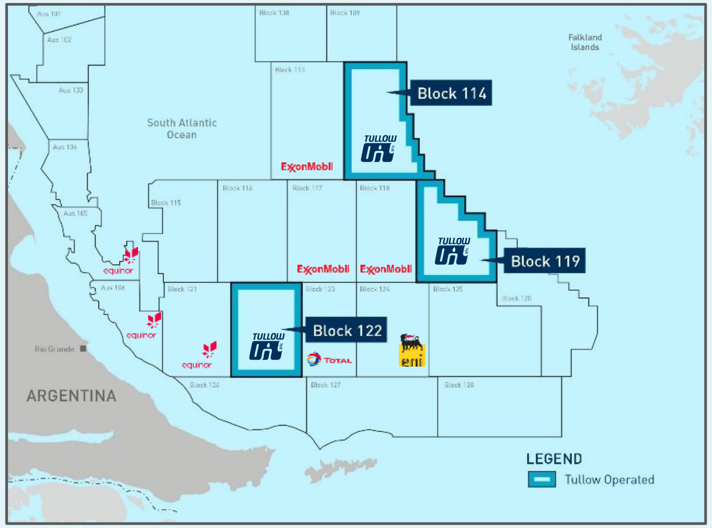



Underexplored block adjacent to TEN fields and infrastructure

Westward extension of producing Upper Cretaceous Turbidite plays in Ghana

>1bnboe STOIIP potential with stacked reservoirs defined on 3D seismic

## Argentina seismic




Upper Cretaceous and Tertiary turbidite plays

c.5,000 sq.km of 3D seismic newly acquired

c.5,000 sq.km of 3D seismic ready to interpret

# CONCLUSION

# Executing our robust cash generative business plan

Operational turnaround

Cost focus

Capital discipline

Geoscience

c.$7 to $8.5bn
underlying operating cash flow[1]

c.$4 to $5.5 bn
Pre-financing cash flow [2]

Upside
Undeveloped resource and gas commercialisation

Discovered and emerging basins

Lost cost asset base leveraged to oil price upside

Implementing plan to deliver production growth

Self-help measures delivering c.$1bn

Further opportunities to unlock value from discovered resources and emerging basins

Refinancing supported by business plan, asset sales, increased liquidity and improving commodity prices

[1] *Cash flow from operating activities, before debt service, capital investment and decommissioning expenditure*

[2] *Cash flow from operating activities less capital investment and decommissioning expenditure*

[1&2] *Bottom of range based on CMD assumptions of $45/bbl in 2021, $55/bbl flat nominal in 2022+. Top of range based on $65/bbl flat nominal in 2021+.*

[NB] *Excludes impact of Equatorial Guinea and Dussafu sales.*

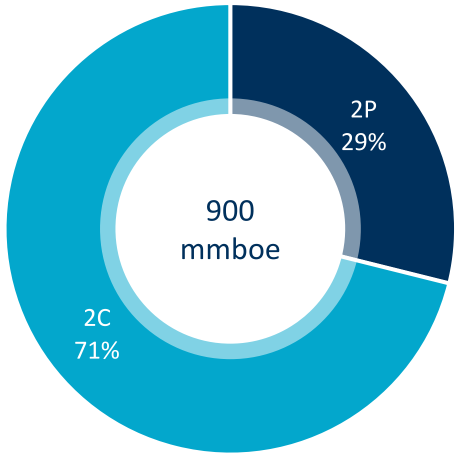
# KEY DATA

Tullow Oil plc | 2020 Full Year Results

# 2021 Key data

| Oil production (kboepd) | 2021 forecast |
| --- | --- |
| Ghana | 40.5 |
| *Jubilee* | *24.3* |
| *TEN* | *16.2* |
| Equatorial Guinea | 4.8 |
| Gabon | 15.4 |
| Côte d'Ivoire | 2.3 |
| Group total | 63.0 |

Group Reserves and Resources (at 31 Dec 2020)




| Operating costs[1] ($/boe) | 2021 forecast |
| --- | --- |
| Ghana | 8.0 |
| Equatorial Guinea | 20.0 |
| Gabon[2] | 19.0 |
| Côte d'Ivoire | 21.0 |

| Depreciation ($/boe) | 2021 forecast |
| --- | --- |
| Ghana | 17.0 |
| Equatorial Guinea | 7.0 |
| Gabon[2] | 5.0 |
| Côte d'Ivoire | 18.0 |

*[1] Data on a working interest basis [2] Includes royalties*

| 2021 hedge structure | Bopd | Bought put (floor) | Sold call | Bought call |
| --- | --- | --- | --- | --- |
| Collars | 39,000 | $48.12 | $66.47 | - |
| Three-way collars (call spread) | 1,000 | $50.00 | $72.80 | $82.80 |
| Total / weighted average | 40,000 | $48.17 | $66.63 | $82.80 |

*2022 hedging position at 9 March 2021: 11,000 bopd hedged with an average floor price protected of $41/bbl*

Tullow Oil plc

9 Chiswick Park,
566 Chiswick High Road
London
W4 5XT
United Kingdom

Tel: +44 (0)20 3249 9000
Fax: +44 (0)20 3249 8801

Email: ir@tullowoil.com

Web: www.tullowoil.com