



Apex International Energy READY TO MAKE A DIFFERENCE

A new player has entered the Egyptian oil and gas industry and is ready for business. Apex International Energy launched its presence in Egypt with a New Cairo office and an initial investment commitment of up to \$500 million from Warburg Pincus. Apex is energetic, enthusiastic, and eager to grow hydrocarbon production in the country in an effort to create value and make a difference.

By Nataša Kubíková

Egypt Oil&Gas had an exclusive opportunity to speak with four directors of Apex International Energy in their new office in New Cairo: Roger Plank, Founder and CEO, Tom Maher, President and COO, Peder Bratt, Managing Director of Warburg Pincus, and Amr Diab, Independent Director. The Apex International Energy team (www.apexintl.com), referred to as Apex, with over 125 years of combined experience in Egypt and 275 years of industry knowledge, are rightly confident to be able to gain a strong foothold in Egypt and start writing a new success story.

Egypt Becomes Apex's Top Priority

In this particular time of industry development globally, the company has chosen to focus initially on Egypt as its top priority due to a number of reasons. As Roger Plank, Founder and CEO of Apex International Energy, put it: "It starts

with geology. Egypt is a proven hydrocarbon province with significant oil and gas production from numerous basins. It is a good place to drill with abundant hydrocarbon resources remaining to be discovered and developed here."

Furthermore, unlike some other players in the industry who voice concerns over possible political risks in Egypt, Apex does not shy away from the opportunity that Egypt offers. The company's directors explain their presence in the country in a pragmatic way. Their rather down-to-earth reasoning is: "People talk about political risk, but there is political risk everywhere. Maybe here it is just a little bit fresher," calmly added Roger Plank.

In contrast to political risks, what appears more relevant to the new player in the industry is "the sanctity of law" that the Egyptian state has been practicing. A feature that "one cannot find every-

where in the world," as Apex's Founder noted. With more than 20 years experience working in Egypt, which in his own words "left a good taste," Plank praised the country for the fact that "it did not matter who the government was, they all honored their contracts."

Therefore, for Apex, Egypt appears to have "all the right ingredients for building a meaningful business of scale. Proven hydrocarbons, sanctity of law and hard working, well educated people, all point to Egypt as a model country for us to do business in," he added.

Timing Matters

There has been a scarcity of new investment announcements on a global scale due to the current low oil price environment. Energy companies have laid off thousands and thousands of employees, reduced their capital expenditures,

halted investment plans, and paused or even cancelled exploration projects. But Apex is different. The company's Founder Roger Plank gets comfort from the fact that the world uses more and more energy, with some 95 million barrels of oil consumed every day, regardless of how oil prices change. "It's increasingly difficult to replace that much oil every day, which is why in the next few years we are likely to see higher prices, even so, we are not predicating our business on that assumption." Despite various expectations formulated by different oil and gas giants who wish to see oil prices rise fast, one simply "cannot count on prices being higher down the road," reasonably explained Plank.

For Apex's entrance into the market, it is the timing that matters most. "We entered when we did, because it ap-

pears to be a better time than when prices were \$90 or \$100 a barrel,” Roger Plank stated. He believes that the oil and gas industry downturn is creating interesting investment opportunities. He further noted that while some companies are “cutting back on their capital expenditures and being forced to prioritize where to devote their capital, others are being forced to exit the business altogether.” From Plank’s point of view, “from a competitive standpoint, that creates an interesting environment in which to launch a business.”

With this timing in mind, Apex appreciates the fact that Warburg Pincus, the company’s key investor, managed to “break the Gordian knot” of having either investment opportunities without funds or having capital without opportunities. “If you can enter business at a time like this with investors who understand and are willing to fund acquisition and drilling opportunities, then, hopefully, you’ve got the ingredients to be successful,” according to Plank.

Investment Partnership

Apex is delighted with the confidence that Warburg Pincus and other investors have shown in the company by agreeing to the initial funding commitment of up to \$500 million.

The good news for Apex is that part of Warburg Pincus’s specialization is investments in the energy sector worldwide with decades of experience investing in oil and gas, and that the investor shares Apex’s optimism for doing business in Egypt. Warburg Pincus Managing Director, Peder Bratt, explained: “Egypt is an attractive place for oil & gas investments” that hides in itself a plethora of opportunities thanks to its favorable geology and other characteristics. And “if you can find enough attractive investment opportunities, there is capital available in the international market,” he convincingly added.

As it appears, at this moment, one of the challenges for Apex is therefore “to come up with the opportunities that we and other investors will be able to fund over the long term,” Peder Bratt affirmed, because “the major constraint for investment is not capital itself, it is finding the right opportunities.” Clearly, Apex International Energy is ready to do so.

Apex’s First Steps

Starting from scratch, Apex’s directors feel they “have teamed up with the best of the best,” as Roger Plank put it. They were therefore oozing with enthusiasm, as they explained their achievements to date. Following the formation of the partnership with Warburg Pincus, the company has taken its initial, but decisive footsteps that will set a path for the company’s future in Egypt.

“We’ve done a number of evaluations of smaller properties and companies at this stage. We recently participated in a bid round. We submitted bids on three different concessions and we are eagerly awaiting the outcome,” Apex’s Founder disclosed. He added further,

“we are focusing initially on the Western Desert because of our experience there, but by no means are we limited to that. We are considering other areas as well.” These are the elements of Apex’s strategy and “we will see which ones play out first,” noted Plank.

Joint Philosophy

The fact that the company has managed to put together competitive concession bids with the Egyptian General Petroleum Corporation (EGPC) on such a short notice speaks eloquently of Apex’s flexibility and determination. And it all comes down to the alignment between Apex and its investor, Warburg Pincus, a global firm that specializes in private equity. As all directors agreed, the key to success is that both Apex and its investor share the same philosophy. The core of it is the commitment and dedication to create value.

“This team that Roger has put together can find the right opportunities that can create value, which we believe as an investor are opportunities where you invest capital into growth. It’s not ‘buy and hold it,’ it’s actually buy and work the assets, invest capital to have production and reserve growth. That’s beneficial to us and we think it’s beneficial to the host country,” according to Peder Bratt from Warburg Pincus. This joint vision translated itself into the company’s business strategy as a whole.

Choosing an Apt Strategy

In line with Apex’s philosophical principles, the company has opted for an acquisition strategy that would allow it to contribute to Egypt’s hydrocarbon production and create value that matters. In doing so, Apex has a strong preference to become an operator. Founder Roger Plank elaborated, saying: “We vastly prefer being an operator. If you can’t make things happen, you can’t add value. Part of it is buying at the right point of a cycle, but the biggest part is having control of operations so that you can drive results through well workovers and recompletions, increase development drilling, and exploration. Operatorship is key to that. That’s our priority.”

Additionally, for a new small company like Apex International Energy, while global oil prices may be out of the company’s control, costs are not, frankly added Plank. It is for that reason that Apex rationally chose to focus on onshore projects. “At this point in time, we’ve got a very substantial financial commitment, but we are still a very small company. Offshore projects are interesting, but they are meant for larger companies who can operate in deep water and fund the massive expense it takes to bring these projects on and also better weather the extended period of time it takes to deliver first production. For us, onshore Egypt makes a lot more sense.”

Bringing capital to Egypt means that a company understands the local market and country’s hydrocarbon composition with a large portion of mature on-



“Egypt is a good place to drill with abundant hydrocarbon resources remaining to be discovered and developed here.”

“We are focusing initially on the Western Desert.”

Roger Plank, Apex’s Founder and CEO



“The Egyptian government will benefit from Apex coming in.”

“We are working hard trying to identify other opportunities that fit our business model.”

Tom Maher, Apex’s President and COO



shore oil fields. A company better have expertise developing mature areas if it wishes to make an impact in Egypt. And Apex is one such player.

Apex believes it has core competencies in this area in particular. “We are motivated to squeeze more out of old oil fields and one of the most important ingredients to be successful with that is having capital to do it,” said the company’s CEO. “A lot of what we bring to Apex is what we grew up believing in. One such principle was - ‘production up, cost down,’ because getting production up from these old fields, the cost per unit will go down.” The opportunity for the company to do this in Egypt is emerging and the directors are enthusiastic to make it happen.

Apex is Eager to Get Started

Apex seems firm in their belief in suc-

cess, which necessarily brings with itself a commitment to rapidly execute a pre-defined plan. “We are eager to get started and hopefully we will have that opportunity before long,” emphasized Roger Plank. While continuously expanding their team, Apex is ready to kick off immediately after an acquisition or obtaining a farm-in or new concession.

Apex’s name is derived from a combination of **A**cquire, **P**roduce, and **E**Xplore, and each element will be pursued as opportunities present themselves, explained Roger Plank. Apex’s skills and abilities to adjust the plan in a most flexible way possible will be decisive. Tom Maher, Apex’s COO agreed saying that in an ideal situation, for Apex to launch its operations, opportunities would come in the order Acquire, Produce, Explore,

nonetheless, the company is “flexible enough” to modify its acquisition strategy. “We’ll go after the opportunities that best fit our business model when we are in the position to do so.” As Plank put it, “opportunities do not necessarily happen in the order that you lay them out, so part of what we are here to do is to be opportunistic.” He stressed that Apex possesses all needed qualities and capacity to achieve their goals.

While waiting for bid round results announcements, said Tom Maher, Apex is “working hard trying to identify other opportunities that fit our business model.”

Opportunities in Cooperation

One of the Apex business strategies is to forge contacts and build functioning cooperative relationships with other entities in the Egyptian oil and gas market. According to Roger Plank, Apex’s directors look forward to further developing relationships with Government of Egypt officials and industry peers, including EGPC. “I think they appreciate the idea of bringing new players into the mix.”

Cooperation strategy with other players in the country goes hand in hand in this business. Therefore, part of what Apex is aiming for “in addition to acquisitions and potential bid rounds success, is farm-ins of drilling opportunities from other companies,” revealed the company’s CEO. “And we’d like to think that we have something to offer as a good partner in that regard.”

Speaking about Apex’s vision in this area of interest, Tom Maher noted that Apex desires to be “a partner of choice” for others to consider in the future and establish a reputation for being “a fair dealer” for the government, IOCs, and local Egyptian companies.

Apex’s Advantageous Mix

There is no doubt that Apex has a lot to offer to its potential partners, according to the company’s directors. For Roger Plank the key element is “a combination” of experience and other com-

petitive advantages. “We are flexible. We are opportunistic. We have the right mindset to build a business and have the experience of having done just that. We also have a well capitalized investing partner who is committed to building something of value here in Egypt.”

Nonetheless, as Tom Maher noted, “it’s not just the capital.” It is rather a form of equal partnership with the investor who is willing to share its broad network of contacts and assist Apex in boosting cooperation. “We trust each other and work well together as partners.” Unlike other financial investors, Warburg Pincus is recognized as both “a financial partner and a strategic partner for Apex,” affirmed Amr Diab, the company’s Director.

But experience, capital, and partnerships are not all that Apex brings into the industry. Amr Diab pointed out that “it’s also about patience” and “a long-term vision.”

Challenges Buzz

Presenting a new player, introducing a new set of projects, building value requires a lot of perseverance. But no matter how strong a company is, it cannot avoid facing some major and minor challenges along the road.

For Apex, “the first challenge was to get the right team together, second was to find the right investor” stated company’s Founder with confidence that they have achieved both. As for the challenges of operating in Egypt, the company’s leaders are familiar with those related to “payment issues,” and “getting things done on a timely basis.”

The biggest challenge at hand is, however, for the company to find good opportunities to establish a foothold in Egypt and put the team to work as Apex anticipates. That means “acquiring and drilling in mature areas as well as exploring to deeper depths and in new areas,” explained Plank.

“We’ve got all the ingredients to be successful, but we still need our first barrel of oil!” Apex’s CEO added laughingly.

Regardless of all the buzz that is cur-



“Egypt is an attractive place for oil & gas investments.”

Peder Bratt, Managing Director of Warburg Pincus

rently surrounding industry challenges in Egypt, the directors are perfectly confident to be able to work through them as they move forward.

Confident Projections

It seems that prospects for Apex as a new player in the market are looking good at this initial stage. It remains to be seen how successfully the company's heads' enthusiasm and confidence will translate into tangible business achievements. There is no space and no time to be modest in those projections.

Apex's management has a clear short-term and long-term vision. In five-years time, the company will want "to have a meaningful presence in Egypt" through "a combination of acquisitions and exploration." "Hopefully, we will drill a lot of new wells and see our production go up and to the right," outlines the company's Founder.

In the long term, Apex aims at keeping Egypt as its priority and if successful, it also ponders expanding its business into other countries of the MENA region. Roger Plank shared his ideas in more details: "If all goes according to plan, we will grow over the next several years here in Egypt, starting in the Western Desert, and perhaps enter the Gulf of Suez or other areas. As we grow, we may also look beyond Egypt to other MENA countries."

In a twenty-year projection, "Egypt will represent the core of the company with a few other countries as part of our

balanced portfolio." "The hope is that we will have made considerable progress and have grown large enough that we can take the company public even though this is a distant star on horizon at this point of time," concluded Roger Plank.

There Are No Small Dreams

Apex's business rationale is nurtured through the directors' bigger imaginings. Roger Plank's drive to make Apex a successful entity in the oil and gas market is to picture a company of larger proportions. In his dreams, Apex is to become "a substantial and profitable company. It will be a company with growing production that can make a difference both for its shareholders as well as for Egypt."

And as he added, Apex has got "the right ingredients, the right people, the right investors; hopefully, all that comes together and we'll realize our dream."

Peder Bratt of Warburg Pincus outlined a dream as a success story for all involved actors: "There is nowhere in the world where capital is successful if you are not welcomed by the host country. And we won't be welcome unless our capital has aligned interests with that host country." As he said further, "we make our money from growth, and we think that production growth is of benefit to Egypt."

Tom Maher also believes that "the Egyptian government will benefit from



"It is not only an opportunity for the partners, Apex and Warburg Pincus, it's also an opportunity for Egypt."

Amr Diab, Independent Director

Apex coming in." The reasons are clear. "It is not only an opportunity for the partners, Apex and Warburg Pincus, it's also an opportunity for Egypt, especially during this economically challenging time," noted Amr Diab.

"Apex International Energy came to Egypt to build a company of scale and make a difference," Roger Plank concluded. "Egypt is a great place to invest, we feel very welcome to do business here, and we are eager to get going."

WHEN VERSATILITY COUNTS...

The Fugro Navigator is permanently equipped with a wide range of geophysical equipment for deep and shallow-water operations while ROV systems. Geotechnical and environmental equipment are mobilized to the vessel on a project-by-project basis. She has carried out an average of 15 survey projects each year since her introduction in early 2008, in water depths from as shallow as 10m to over 1300m. As a specialist survey vessel, the Navigator offers significant advantages over vessels of opportunity by offering:

- Reduced weather standby costs
- The ability to respond quicker to requests for projects
- Reduced turnaround time for reporting



...COUNT ON FUGRO



Fugro SAE

Telephone : +20 (0) 2 2758 0299

www.fugro-egypt.net

Fax: +20 (0) 2 2758 0599

Email : enquiries@fugro-egypt.net