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NEWSLETTER

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CSA supports Calculus Capital with commercial due diligence on its investment in AnTech Limited

Carlton Strategy Advisors has successfully supported Calculus Capital by providing full-scope commercial due diligence in connection with its private equity investment in AnTech Ltd, a precision engineering business serving the oil and gas exploration and production industry.

INVESTMENT SITUATION: Investment to support business expansion and development

Headquartered in Exeter, AnTech designs and assembles electro-mechanical tools for supply to international drilling contractors and global hydrocarbon extraction companies. Working in the field of coiled-tubing drilling (CTD), AnTech's bottom-hole tool assemblies aid the accuracy of precision horizontal and multilateral directional drilling; techniques that find application, for example, in brown-field or marginal reservoirs where easier drilling access improves the economics of re-entry work and thusly old or abandoned wells to be rejuvenated. It also facilitates drilling in narrow reservoir streams, such as may be typical of coal bed methane.

From a historical position in product design and consultancy, AnTech has become more product sales focused as a company; successfully repositioning itself in the industry value chain by moving closer to oilfield prime contractors and operators as customers. Very significantly, AnTech's management team believes that the company can substantially make its own market for its range of COLT™ and POLARIS™ branded CTD tools.

AnTech's Colt tool is a more highly specialised 3.5 inch diameter tool for well re-entry and multilateral drilling work designed to improve flow rates and recoverability levels in existing oil and gas fields. Made from non-magnetic materials, it offers a full telemetry package for such data as well pressure, temperature and vibration in addition to weight or torque-on-bit, for example.

The Polaris tool can use drill bits up to 8.5 inch in diameter and is suited for drilling unconventional oil and gas and coal bed methane. It deploys proprietary gyro technology which allows tools to be built in lower cost standard metals, important for drilling projects where cost of drilling is a major economic component determining the viability of an oil or gas exploration field.

The investment by Calculus in AnTech will permit the company's management to accelerate product roll-out of its Colt and Polaris based services in markets across the world that are ideal CTD opportunities, including North America, the Middle East, Australia, Russia and China. This follows five successful pilot wells carried out by the company at the Niobrara formation, Kansas, in 2011/12.

PROJECT SCOPE: To provide Calculus with business and market insight relevant to their investment decision

CSA's commercial due diligence examined the AnTech Financial Memorandum, prepared by the company's management team in support of the transaction. Additionally, CSA met with each member of the senior management team to review objectives, strategy and direction for the business. A key feature of the diligence undertaken by CSA was in connection with the timing that could be anticipated for early commercial traction by customers adopting AnTech's CTD tooling technology, particularly in North America.

THE RESULT: Delivery of a summary of the commercial risk and opportunity implications attached to the deal

The scope of the due diligence was carried out at two levels. It began with a profile of the global CTD industry to characterise market structure and demand and this was followed by a programme of AnTech customer and market referencing. Both levels of analysis, combined with CSA's assessment of management direction and strategy, allowed the due diligence to report on company competitive positioning; assessing AnTech as a business which, according to CSA's interpretation, could develop its Colt and Polaris based services as a commercial proposition over the next five years.

Alexandra Lindsay, investment director within Calculus, said of the commercial due diligence; "This is the third occasion where we have asked CSA to support Calculus in our assessment of the business and market issues of potential concern to us in our assessment of an investment opportunity. CSA communicated well, keeping us informed about progress and the potential issues as they arose. They provided valuable insight and their analysis was backed up by good supporting evidence and thorough referencing."

Toni Miszewski, MD of AnTech, commented; "The commercial due diligence provided some strong, independent opinion about the competitive structure of the oilfield services sector and the forces shaping the opportunities for bottom hole assemblies in the area of coiled tubing drilling. In particular, the CDD gave valuable insight into the image and strengths of the company, as seen through our customers' eyes. I and our management team viewed the outcome very positively."

***David McClelland** is Director of Carlton Strategy Advisors Ltd. CSA is a commercial due diligence and business strategy consultancy, with clients across the Private Equity, Bank and Corporate sectors.*