

Meet The Speaker

DANA NOVAKOVIC, MANAGING DIRECTOR,
LBC ENERGY ADVISORY LIMITED



31 August 2018

How best would you summarise LBC Energy's M&A Advisory model?

LBC Energy is a specialist Oil & Gas advisory boutique based in London since 2008. LBC Energy Advisory Limited is its FCA regulated arm focusing on providing pure M&A and divestiture advice primarily in E&P, as well as other subsectors of Oil & Gas. We serve corporate and institutional investors such as NOCs and SWFs.

LBC Energy was formed from a spin-off of ABN Amro's "M&A Energy" team during ABN Amro's takeover by RBS, on the back of three client mandates secured by LBC's principal, then a Senior Corporate Director, M&A Energy ABN Amro: 1) an E&P buy-side by a Middle Eastern NOC, 2) a buy-side by a diversified FSU conglomerate, and 3) a sell-side by an Oslo-listed E&P in the Canadian Oil Sands.

Since inception, the FCA-regulated and London-headquartered LBC Energy has sustained primary focus on Oil & Gas, with 80% of our M&A work in E&P and the balance of it in OFS, R&M and Infrastructure, primarily for NOCs and other SOEs such as state-owned conglomerates and SWFs, and the largest Independents. Our model is based on strict adherence to formal engagements structured as monthly retainers plus milestone fees plus success fees. The firm has been financed from mandates by blue chip clients from inception. LBC's formation was funded from proceeds of the initial three client mandates.

Our sister company, LB Capital Limited, unlike LBC Energy focusing primarily on Oil & Gas, provides technical and strategic advice beyond Oil & Gas – in all subsectors of Energy and Natural Resources such as Oil & Gas, Power & Utilities, Renewables, Mining, Construction and Infrastructure, as well.

Through the combined offering between the FCA-regulated LBC Energy and the technically and geo-strategically focused LB Capital competent beyond pure Oil and Gas in sister sectors such as Power & Utilities, Renewables, Mining, Construction and Infrastructure, our combined model has evolved in response to the industry's increasing demand for a more thoughtful and sophisticated approach to portfolio optimization, capital re-deployment, and careful investing.

What question or industry issue are you looking forward to hearing about at the Chian Energy Assembly?

LBC Energy Advisory looks forward and appreciates the opportunity to hear our Sector colleagues' thoughts and opinions on the rather exciting strides and successful projects and contributions that Chinese Oil & Gas and other Natural Resources and Infrastructure blue chips have been advancing Globally, which would allow us to provide our contribution and assist in helping further these projects in our areas of competence and expertise, in particular in M&A in EMENA, the FSU and the South East Asia, where we see a great deal of value creation for our current and ongoing Chinese clients, and over the years to come.

What would you say is the biggest game-changing discovery / project / technology that is currently making waves / predicated to shake things up in the sector?

Meet The Speaker

DANA NOVAKOVIC, MANAGING DIRECTOR,
LBC ENERGY ADVISORY LIMITED



We are excited about quite a number of positive trends in the Energy Sector, in particular in Energy infrastructure and connectivity, including ground-breaking transboundary pipelines, as well as maritime solutions such as in LNG and FLNG, where Chinese consortia assembling Chinese NOCs, banks, insurers and shipyards are particularly well positioned to compete, create and deliver excellent value Globally. Whilst most of our clients in China have always been SOEs so far, in such projects, we are very pleased to see excellent cooperation between the public and private sector in China, led by the strength, international experience and competence of Chinese SOEs. For instance, however challenging, we have been very pleased to see the strides that Chinese consortia have made in advancing both transboundary pipelines and LNG projects, to further security of gas supply to China through, for instance:

a) transboundary pipelines such as the Russia – China “Power of Siberia” pipeline to start on 20 December 2019, a testament to both countries’ immense technical prowess, determination, exceptional state-to-state relationship and financial capabilities that the whole Oil & Gas Sector globally should admire and be proud of, and

b) LNG and FLNG projects, whereby we are enthusiastic about the synergies between the technical advances in these sub-segments of the Oil & Gas Sector and Chinese companies’ technical capabilities, capitalisation and market scope, in particular in relation to the Chinese gas-to-power market, and its overall shift from coal to cleaner fuels like gas, with demand for gas projected at 320 Bcm pa in 2020 and 520 Bcm pa in 2030.



Source: BBC News, Business Live, Tuesday, 31 July 2018 – BBC’s interview with LBC Energy’s Dana Novakovic ahead of the BP’s 2Q 2018 Results Presentation.

In your tenure at LBC Energy so far, what has been the greatest challenge you have faced?

In my decade with LBC Energy, one of the greatest challenges that I have faced is to help primarily UK Independents, and other Independents internationally, start taking a longer-term view and stop following the herd mentality, stop improvising to its detriment and improve its corporate finance and corporate governance issues. In this respect, we find the careful planning, the ability and the inclination of Chinese SOEs to take a long-term view easier to work with, as it allows us to provide clients with a value-accretive advice that will keep adding value to Chinese SOEs for many years to come. That systematic and well-thought-out approach by Chinese SOEs is more in line with my personal approach to careful investing and careful advice to clients. Patience is indeed a virtue. And so are care, sense of responsibility and accountability, and caution.

Meet The Speaker

DANA NOVAKOVIC, MANAGING DIRECTOR,
LBC ENERGY ADVISORY LIMITED



What do you, and your company, wish to achieve in 2019?

We remain very enthusiastic about the opportunities to create value through M&A in Oil & Gas Globally in 2018 / 2019. Whilst the bulk of our activities will remain to be directed from our London HQ, we are very keen to keep expanding our presence Internationally, such as, for instance, the prepared opening of our representative offices in the Middle East and Africa in the second half of 2018 and the first half of 2019, respectively.

In terms of our financial performance, LBC Energy have no contingent or any other external liabilities on its balance sheet. LBC Energy have never taken any loans or any other forms of debt whatsoever. The company and the group have, at all times, since inception, managed to cover all expenses from revenues, and most of the time from monthly retainers alone, while any milestone and success fees have been retained profits and / or have been ploughed back into business growth, while sustaining capital adequacy under the FCA regime at all times.

For instance, in the first two quarters of this year, 2018, our FCA compliant profit margin has increased from 59.8% to 65.4%, and we expect an even stronger second half of the year on the back of our current mandates, including here in China. I mention this, because our ten-year track record of good service to our clients, coupled with our ever-increasing solid financial position provides a great deal of comfort to our clients, as we can tailor our service offering and our financial terms to our clients' specific needs.

What are three things still left on your bucket list?

Beyond geographic expansion, in 2018 / 2019, LBC group, including both LBC Energy and LB Capital, will strive to:

- a) Continue employing more staff, primarily in our core M&A origination and execution competence in our core markets;
- b) Accelerate to supplement our M&A prowess by continuing to add and nurture experienced advice of our technical consultants whose backgrounds combine a unique set of petroleum geophysics and engineering, civil engineering and all other relevant technical experts with commercial acumen
- c) Improve our consistency in continuing to develop our in-house talent by having instituted internship programs with Mathematics, Petroleum Geology and Engineering programs of the Imperial College London; Stanford University Geomechanics; and William E. Simon School, an Upstate New York / NYC based MBA program consistently ranked top 10 in Finance and Accounting (The Financial Times), and other top-rated institutions.

Given the client workload, is it all work and no play at LBC?

Not at all. We are known in London for having organised a number of charity and sporting activities for our team and for our clients such as for example the car race "Run to Monaco" – and will try again in May 2019! All our winnings go to a worthy benefit, a charity for children's education about Nikola Tesla, his scientific inventions and the future of Energy. Thank you all who have helped us in these activities and worthy causes. We truly appreciate it.