



CORPORATE PERFORMANCE IMPROVEMENT

OFS Margin Enhancement 2.0

Part 2: Repair and Maintenance (R&M) Standard Costs Methods

In our second of a series on margin improvement opportunities across the Oilfield Services (OFS) sector, we explore the application of Repair and Maintenance (R&M) Standard Costs Methods for tracking and improving costs, margins and pricing strategies.

The application of standard costs is well understood in the context of machining and manufacturing activities. Manufacturing cost standards are often developed for labor, machine utilization and maintenance expenses. These standards are applied to a range of products or manufacturing processes and are monitored and updated through time as conditions change.

Recently, A&M has partnered with OFS clients to apply the same standard cost concept to OFS product lines. Below, we highlight current industry norms, our practical approach and targeted near-term benefits.

Common Practices Across OFS Sector Lack Transparency:

- R&M expenses not tracked to equipment or service lines based on utilization drivers
- R&M expense applied to revenue using an average percentage of revenue approach
- Lack of visibility into R&M expense types (recurring, major overhauls, “cost of poor quality”)

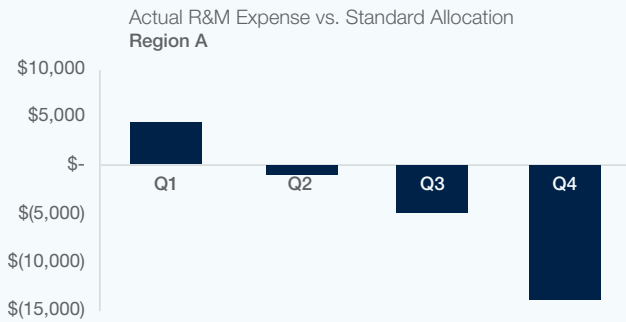
A&M’s Approach Applies the Concepts of Manufacturing Cost Standards to OFS Product Lines:

- R&M expenses categorized by type, equipment category and utilization drivers (i.e. rig days, pump hours)
- Historical expenses are analyzed to confirm correlations of utilization and expenses
- Make adjustments to data capture, ERP systems and business processes as needed
- Develop and apply cost standards for primary cost drivers by service line, equipment type and region
- Analyze variances, update standards and drive improvements across standards through time

R&M EXPENSES CATEGORIZED AND TRACKED TO PRIMARY COST DRIVERS

Historical R&M \$s	Equipment Type	Utilization Driver
Work Orders	Pumps	W
	Rigs	X
	CTUs	Y
	WL	Z

FOCUSED EFFORTS DRIVE R&M COST IMPROVEMENT THROUGH TIME



Our work has highlighted how activity-based expense profiles can vary significantly by region and product service type (by more than 20 percent). We have also been able to identify R&M expense outliers that can be tracked to a specific customer, based on different operational practices.

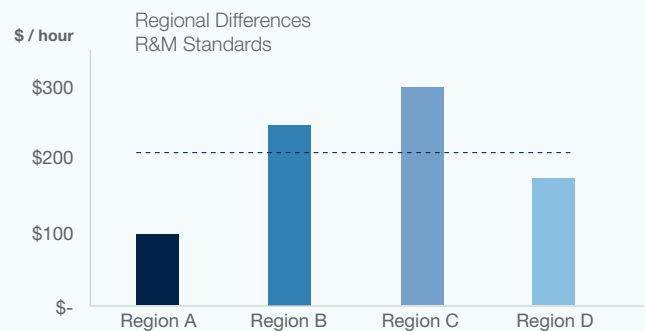
How A&M Can Help:

If you would like to explore opportunities to apply these standard cost concepts to your business or explore other OFS Margin Enhancement opportunities, please contact us.

Targeted Benefits:

- Improved pricing strategies to incorporate full-cycle R&M costs
- Ability to target and track R&M processes and improvement programs
- Improve margins by driving standards lower over time
- Minimize month to month operating P&L variability (no change to accounting P&L)
- Heightened accountability driven by KPIs and incentives; maintenance, ops and sales working towards common goals

TRANSPARENCY HIGHLIGHTS REGIONAL DIFFERENCES, DRIVES PRICING DECISIONS



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With over 8,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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