



Flexibility is key: TGS chief executive Kristian Johansen

Photo: NOAH BRENNER

Master of all he surveys

Having been handed the **top job at seismic player TGS**, Kristian Johansen is **relaxed and upbeat** about **weathering the downturn**

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TGS CHIEF executive Kristian Johansen is surprisingly relaxed for an oilman weathering his first major downturn, but with perspective gained outside the oil industry and a financially-conservative company culture, he believes the seismic player was built for times like these.

Johansen joined TGS as chief financial officer in 2010 after working in similar roles for a pair of large publicly-traded companies in his native Norway, as well as five years of investment banking in London, but with only a year of experience in the oil and gas sector.

"The thing that fascinated me with seismic is the extreme cyclicity, the international aspect of the business and the fact that you have a lot of highly educated, very smart people," he says from the company's office in Houston.

Skill set After five years overseeing TGS's finances, he took over as chief operating officer for a year, before being given the top position earlier this year. "I like

the combination, and I think it's all about having a broad skill set," he says of his experience at TGS.

"You need to understand the financials in order to be a good chief executive, and you need to combine that with extensive knowledge about operations and the core of the business."

While that cyclicity drew him to the industry, and the up-cycle helped TGS more than double its headcount and revenue between 2010 and 2014, Johansen must now navigate through his first down-cycle, something he says is made much easier by the corporate culture he inherited at TGS.

The company has strictly followed an "asset-light" business model that eschews owning vessels for renting them in order to keep its financial strength for times like this.

"It's all about flexibility — making sure you have a flexible workforce, flexible balance sheet and flexible strategy," he says.

"I was very lucky because the company has been very well managed for a number of years.

"The strategy is so clear about what to do and what not to do, so it was more about making sure we don't screw up by investing in the wrong projects and adding a lot of debt to the balance sheet."

The seismic market is awash in vessels, but Johansen said it is highly unlikely that he would push TGS to stray from its "asset-light" culture.

"I think it is important for every company to be very focused on what you are good at, and running vessels is not our core competence," he says. "What we are really good at is identifying the right projects, so oil companies can get the seismic they need at affordable rates."

That is not to say that Johansen can kick back with his foot on the tiller and let the TGS steer itself.

The precipitous drop in exploration spending by the large international oil companies that are active in the deep-water has meant that it is more important than ever for TGS to get ahead of its competitors in key growth basins.

To that end, TGS was a very early entrant into the emerging deep-water plays off eastern Canada, and continues to devote significant resources to gathering seismic there, in partnership with fellow seismic player PGS

and state-controlled oil company Nalcor.

"This is a great example of an area where we went in quite early and took some risk together with Nalcor, but that really pays off over time," he says.

"If you can identify the right areas at the right time — it's almost like the real estate market, if you can find the right house here in Houston and time it, you are going to make a lot of money."

Core area He sees eastern Canada as a core area for TGS for the next decade, along with the opportunities presented by the opening of Mexico's oil and gas sector to private investment, where the company is embarking on the Gigante 2D, multi-beam, seep and core campaign across the entire offshore sector.

"With Mexico it's all about getting there first, getting access to your client's exploration budget at an early stage and get that funding that you need in order to start," he says.

"When oil companies look at this basin there is no geological border. It is a very similar geology to what we see on the US side, and we have more than 30 years experience on the US side."

Beyond simply getting to new plays first, TGS also has to show how it can offer the best value to its cash-strapped customers, Jo-

hansen explains, and that is often through multi-client surveys.

"(Oil companies) are starting to see that," he said, noting what he regards as an "encouraging" shift from proprietary to multi-client seismic activity.

But building the best multi-client library also comes back to being an early entrant into the most exciting basins, often before oil companies themselves arrive there.

"We need to be where the clients are and ideally we would like to be where the client wants to be, so we want to be there two years ahead of our clients," he says.

"That is really the way we think about the business."

The unique combination of experience and culture allows Johansen to enjoy the important things in life when he walks out of the office, such as skiing in the Rocky Mountains with his wife and two young children, while he prepares for the cycle to turn.

"Sooner or later, analysts and investors are going to focus on where is growth going to come from," he says of the seismic business.

"So we are certain we will see another up-cycle."

"It may take time and it may go slower but it is certainly going to happen." □

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