

## Deal Terms

1 TELL = \$1.00

### Target: Tellurian

Country	United States
Bloomberg	TELL
Sector	Exploration & Production
Share price (\$)	0.91
Market cap (\$m)	810.6
Free float (%)	94

### Acquirer: Woodside Energy

Country	Australia
Bloomberg	WDS AU
Sector	Exploration & Production
Share price (\$)	25.49
Market cap (\$m)	48,399.1
Free float (%)	100

### TELL Price Chart



### Status

HSR and CFIUS filings made by mid August, 2024

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## Tellurian (TELL) / Woodside Energy (WDS AU)

### AGREED MERGER

The deal spread is driven by the substantial downside TELL would face if the deal breaks. Despite this downside and the tight end date, we see limited deal risk and consider the deal spread somewhat wide.

### Key risks

- The deal requires HSR, CFIUS and DOE approvals.

### HSR Approval

- Woodside Energy is a significant player in the energy sector. They are also one of the biggest producers of LNG globally.
- However, Woodside's portfolio has very limited exposure to LNG production in North America, they only have non operated assets:
- Additionally, Tellurian's market share is not substantial. The Driftwood project, still under development, will add production capacity to the merged companies; with the full potential of the project, the combined production capacity will be around 40 million metric tons per annum. This would position Woodside among the top three LNG producers globally once the Driftwood project is finalized.

**CBR comment:** Since Woodside does not directly operate any assets in the U.S., We don't see the combination of the two companies facing an in-depth antitrust review.

- Upon completion of the Driftwood project, the merged company would become one of the largest LNG producers globally. However, we do not foresee any regulatory concerns, as the LNG sector is highly competitive, and since this is a future development, it is not expected to raise regulatory concerns about market dominance at this time.

### CFIUS approval

- Since Woodside is an Australian company, we believe obtaining CFIUS approval should not pose significant issues.
- The initial review process lasts 45 days once the filing is complete. Even if extended by an additional 45 days, which we currently see no reason for, the deal can still be finalized by the end of the year (the extended outside date).

**CBR comment:** Given that Australia poses no national security threat, we believe CFIUS approval will be granted without issue. Regarding the timeline for approvals, we expect that even if there are delays, the deal should still be able to close by the end of the year.

### Tellurian's Financial struggles

- Tellurian has faced significant financial challenges for several years, consistently reporting losses and struggling to generate profits from its investments.
- Over the past three years, the company has seen its total debt quadruple, reflecting its ongoing difficulties in managing its financial obligations.
- The Driftwood project, which is central to Tellurian's growth strategy, requires substantial capital investment. However, securing the necessary financing has proven to be a major hurdle for the company, with no clear path forward for raising the funds needed to complete the project.
- Without the potential acquisition by Woodside, Tellurian's financial outlook appears increasingly bleak, with the company possibly facing insolvency or even bankruptcy.
- The deal with Woodside offers a crucial lifeline for Tellurian, providing not only the necessary financial support to move forward with the Driftwood project but also a strong incentive for the company to expedite the closing of the acquisition.
- The agreement includes a bridge loan from Woodside, providing Tellurian with \$230 million to ensure that Driftwood LNG site activities maintain momentum prior to the deal's completion, effectively serving as a bailout for Tellurian.

**CBR View:** We believe that both companies have strong incentives to complete the transaction.

- The deal appears to resolve TELL's financial challenges, and it also provides the necessary financing for project development, which the company has struggled to secure. Woodside has solid strategic reasons for acquiring TELL and completing the Driftwood project, especially if they aim to become one of the largest LNG producers globally.
- However, we believe that the outside date and the short extended outside date indicate that Woodside wants to complete the transaction as quickly as possible under the current conditions. We see a significant risk that if regulatory approvals cause any delay, Woodside might either walk away from the transaction or reduce the offer price.
- In the latter scenario, we believe Tellurian's board would have little choice but to recommend the reduced price, as failing to do so could lead to further financial difficulties or a worsening of their already precarious situation. While we do not see any clear reason for regulators to block the deal, delays are always possible.

## Shareholder vote

- The deal requires approval from Tellurian shareholders. Bidder vote is not required.
- Tellurian's recent earnings indicate financial instability, with an increasing risk of bankruptcy. This acquisition could provide a lifeline, backed by Woodside's strong financial resources.
- Tellurian's second-largest shareholder, Chatterjee Management Company, which owns 5.3% of the company, is dissatisfied with the sale price but is expected to support the Woodside deal unless a better offer emerges.
- We anticipate that shareholders will vote in favor of the acquisition, especially considering the substantial premium being offered.

## Counter bid

- The deal carries significant risks for the bidder, as the Driftwood project is still under development and Tellurian's financial outlook does not suggest substantial future returns.
- However, Woodside's strong track record in the industry and robust financial resources enable them to view this acquisition optimistically. They plan to take over the Driftwood project and maximize its potential.
- Prior to Woodside's offer, there was no serious interest expressed in an equity investment in the Driftwood project or Tellurian.
- Given the high risks associated with the deal and the absence of previous bidders, we believe it is unlikely that a competing counterbid will emerge.

## Valuation and deal closing probability

- In a no deal situation, based on historic EV/Sales multiple of Tellurian, we see the downside around \$0.35-0.40, with a deal closing probability of 87-88%.
- However, we believe that if the deal does not proceed, Tellurian's financial situation could become increasingly uncertain, as the company has struggled to generate profits and secure the necessary funding for its developments without external support.
- With a downside of ~\$0, we see the deal closing probability at above 90% with a target closing date of December 31, 2024.

## Key terms of the merger

### Transaction Details

Announcement Date	July 21, 2024
Offer terms	1 TELL = \$1.00
% owned by Target stockholders	0%
Deal Size (Market Value)	\$894 million
Offer structure	All cash merger
Target's Board Recommendation	Yes
Voting Agreement	No
Target Incorporation	US (DE)
Bidder Incorporation	Australia
Merger Agreement	Click <a href="#">here</a> for the merger agreement
Merger Announcement	Click <a href="#">here</a> for the announcement
Merger Presentation	Click <a href="#">here</a> for the merger presentation
Merger Call Transcript	Click <a href="#">here</a> for the merger call transcript
Synergies	■ N/A

### Indicated Closing Date

- 4Q 2024 (Co est.)

### Dividends

- TELL hasn't paid dividend in the past. TELL might pay dividends in line with the past practice.

### Target capitalization

- Target Equity ■ 893,759,536 Common shares Outstanding
- Target Debt ■ Total debt: \$477 million
- Target Net Leverage ■ n/a

### Valuation Multiples

- 1-day premium The acquisition price represents a 75% premium to Tellurian's closing price on July 19, 2024, and a 48% premium to Tellurian's 30-day volume weighted average price.
- LTM EV/Sales 9.4x
- FY1 EV/Sales 26.6x
- FY2 EV/Sales 12.9x

### Timetable

■ Confidentiality Agreement	April 10, 2024
■ Date of the Merger Agreement (T)	July 21, 2024
■ Deal Announcement	July 21, 2024
■ DOE filing deadline (10BD)	August 3, 2024
■ HSR and CFIUS filings made	By mid-August 2024
■ Preliminary Proxy filing deadline (20BD)	August 16, 2024
■ Initial HSR review expires	By mid-September 2024
■ CFIUS approval granted	By end of September 2024
■ Definitive Proxy	By end of September 2024
■ Shareholder meeting	By end of October 2024
■ Settlement (CBR est.)	By end of October 2024
■ Outside date	December 15, 2024
■ Extended outside date	December 31, 2024

### Deal close definition

- The closing of the Merger (the "Closing") shall take place at the offices of Parent, 1500 Post Oak, Houston, Texas, at 10:00 a.m., local time, or remotely by exchange of documents and signatures (or their electronic counterparts) as soon as practicable on the second (2nd) business day after the satisfaction or waiver (to the extent permitted by applicable Law) of the conditions set forth in Article VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), or at such other place, date and time as the Company and Parent may agree in writing. The date on which the Closing actually occurs is referred to as the "Closing Date."

### Solicitation Clause

- There is a non-solicitation clause with a fiduciary out prior to the shareholder vote.
- There is a 72 hours matching period.

- “Superior Offer” means a written Acquisition Proposal for an Acquisition Transaction (with references in the definition thereof to “twenty-five percent (25%)” being deemed to be replaced with references to “fifty percent (50%)”) that the Company Board, or any committee thereof, determines, in good faith, after consultation with its outside legal counsel and its financial advisor, is (i) if accepted, reasonably likely to be consummated and (ii) more favorable from a financial point of view to the Company’s stockholders than the Merger and the Transactions (taking into account at the time of determination any proposal by the other Parties hereto to amend or modify the terms of this Agreement which are committed to in writing and after taking into account such factors deemed relevant by the Company Board, or any committee thereof, including the form of consideration, timing, required approvals, conditions to consummation, and other factors that the Company Board may consider in the exercise of its fiduciary duties under applicable Law).

#### Company Intervening Event

- “Intervening Event” means any Effect occurring or arising after the date of this Agreement and that materially affects the business, assets or operations of the Company and its Subsidiaries, taken as a whole, and that (a) was not known to, or reasonably foreseeable by, the Company Board as of or prior to the execution of this Agreement (or if known or reasonably foreseeable, the material consequences of which were not known or reasonably foreseeable by the Company Board), which Effect, or any material consequence thereof, becomes known to, or reasonably foreseeable by, the Company Board prior to the time the Company Stockholder Approval is obtained and (b) does not relate to (i) an Acquisition Proposal or Acquisition Transaction, (ii) any changes in the market price or trading volume of the Company or the major stock indexes in the U.S., (iii) any changes in the Company’s credit ratings, (iv) the Company meeting, failing to meet or exceeding published or unpublished revenue or market consensus earnings projections, in each case in and of itself or (v) any Effects generally affecting the economy, securities or financial markets or political conditions in any jurisdiction in which the Company or any of its Subsidiaries has material operations or in which any of the Company’s or any of its Subsidiaries’ products or services are sold, except if such Effect disproportionately adversely affects the Company and its Subsidiaries compared to other companies of similar size operating in the industries in which the Company and its Subsidiaries operate (it being understood that with respect to each of the foregoing clauses (i) through (iv) the Effect giving rise or contributing to such change or event may be taken into account when determining whether an Intervening Event has occurred to the extent not otherwise excluded from this definition)

#### Key conditions to the merger

■ Shareholder approvals	■ Yes
■ No injunctions	■ Yes
■ Regulatory Approvals	■ CFIUS approval, Department of Energy (DOE) Approval, HSR
■ Reps and warranties	■ Yes
■ Covenants fulfilled	■ Yes
■ No Company or Parent MAC	■ Yes
■ Closing Certificate	■ Yes
■ Conditions to Obligation of the Company	■ Yes

#### MAC Definitions

- “Material Adverse Effect” with respect to Parent or the Company, as applicable, means an event, change, effect, fact, circumstance, development or occurrence (“Effect”) that has had, or is reasonably likely to have, a material adverse effect on the business, financial condition, assets or continuing results of operations of such Party and its Subsidiaries, taken as a whole

#### MAC Carve-outs

Other than any Effect:

- (A) in or generally affecting the economy, the financial or securities markets, or political, legislative or regulatory conditions, in each case in the United States or elsewhere in the world; or
- (B) resulting from or arising out of
  - (1) any changes or developments in the industries in which such Party or any of its Subsidiaries conducts its business,
  - (2) any changes or developments in prices for oil, natural gas or other commodities or for such Party’s raw material inputs and end products,
  - (3) the execution, announcement, pendency or the existence of, compliance with or performance under, this Agreement or the transactions contemplated hereby, including the impact thereof on the relationships, contractual or otherwise, of such Party or any of its Subsidiaries with employees, labor unions, customers, suppliers or partners, and including any lawsuit, action or other proceeding with respect to the Merger or any of the other Transactions (provided, that this clause (3) shall not apply to any representation or warranty that is intended to address the consequences of the execution, announcement or pendency of the Transactions with respect to any condition to Closing to the extent such condition relates to any such representation and warranty),
  - (4) any taking of any action required by this Agreement or at the written request of Parent, in the case of the Company, or the Company (other than, with respect to the Company, pursuant to Section 5.1(a)),
  - (5) any adoption, implementation, promulgation, repeal, modification, reinterpretation or proposal of any rule, regulation, ordinance, order, protocol or any other Law of or by any national, regional, state or local Governmental Entity, or market administrator,
  - (6) any changes in GAAP, IFRS or accounting standards or interpretations thereof,
  - (7) (I) earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides, wildfires, epidemics, pandemics (including SARS CoV-2), or any weather-related or meteorological events or other force majeure event, acts of God, or natural disasters or (II) outbreak or escalation of hostilities or acts of war or terrorism, sabotage, civil disobedience, cyber-attack or any escalation or general worsening of the foregoing (including, for the avoidance of doubt, the current conflict between the Russian Federation and Ukraine and the war and conflict between Israel and Hamas and related military operations),

- (8) any failure by such Party to meet any financial projections or forecasts or estimates of revenues, earnings or other financial metrics for any period (provided, that the exception in this clause (8) shall not prevent or otherwise affect a determination that any Effect underlying such failure has resulted in, or contributed to, a Material Adverse Effect so long as it is not otherwise excluded by this definition), (9) any changes in the share price or trading volume of the Company Common Stock, or in the credit rating of Parent, the Company or any of their respective Subsidiaries (provided, that the exception in this clause
- (9) shall not prevent or otherwise affect a determination that any Effect underlying such change has resulted in, or contributed to, a Material Adverse Effect so long as it is not otherwise excluded by this definition);
- **except, in each case with respect to clause (A) and clauses (1)–(2) and (5)–(7) of this clause (B), to the extent disproportionately and adversely affecting** such Party and its Subsidiaries, taken as a whole, relative to other companies in the industries in which such Party and its Subsidiaries operate, in which case only the incremental disproportionate, adverse effect relative to other companies in the industries in which such Party and its Subsidiaries operate may be taken into account in determining whether there has been, or would reasonably likely be, a “Material Adverse Effect.”

#### Break fees

■ Break fee	■ \$36,055,000
■ Reverse break fee	■ \$31,548,000

#### Antitrust related clauses

■ Jurisdictions	■ US
■ Divestiture obligation	■ Yes limited by MAC
■ Litigation obligation	■ Yes
■ Reverse break fee (regulatory)	■ Yes

#### Specific Performance

- Yes

#### Governing Law

- US Delaware

#### Key Target shareholders

Tellurian Shareholders	%
State Street Corp	7.3
Chatterjee Fund Management L P	5.3
Magnetar Financial LLC	5.2
Vanguard Group Inc/The	4.2
BlackRock Inc	2.3
Hudson Bay Capital Management LP	2.2
LabVantage Solutions Inc	2.1
Houston Martin J	1.9
Encompass Capital Advisors LLC	1.7
Geode Capital Management LLC	1.6
<b>Other</b>	<b>66.2</b>

#### Key Bidder shareholders

Woodside Energy Shareholders	%
BlackRock Inc	7.5
Vanguard Group Inc/The	6.5
State Street Corp	6.1
AustralianSuper Pty Ltd	5.0
Computershare Clearing Pty Ltd	1.6
Dimensional Fund Advisors LP	1.6
Massachusetts Financial Services C	1.5
Commonwealth Bank of Australia	1.4
FMR LLC	1.4
AMP Ltd	1.1
<b>Other</b>	<b>66.4</b>

Source: Bloomberg

## Company descriptions & rationale for the merger

### TELLURIAN DESCRIPTION

- Tellurian Inc., a Delaware corporation, is a Houston-based company that is developing and plans to own and operate a portfolio of LNG marketing and infrastructure assets that includes an LNG terminal facility (the “Driftwood terminal”) and related pipelines. The Driftwood terminal and related pipelines are collectively referred to as the “Driftwood Project.” They also own upstream natural gas assets; on February 6, 2024, Tellurian announced that they are exploring a sale of those assets. As of December 31, 2023, their upstream natural gas assets consist of 30,034 net acres and interests in 161 producing wells located in the Haynesville Shale trend of northern Louisiana. Their Business may be developed in phases.
- As part of their execution strategy, which includes increasing their asset base, they consider various commercial arrangements with third parties across the natural gas value chain. They are also pursuing activities such as direct sales of LNG to global counterparties. They remain focused on the financing and construction of the Driftwood Project.

They report operations in three reportable segments.

- The **Upstream** segment is organized and operates to produce, gather, and deliver natural gas and to acquire and develop natural gas assets.
- The **Midstream** segment is organized to develop, construct and operate LNG terminals and pipelines.
- The **Marketing & Trading** segment is organized and operates to purchase and sell natural gas produced primarily by the Upstream segment, market the Driftwood terminal’s LNG production capacity and trade LNG.

#### Natural Gas Properties

- The natural gas assets consist of 30,034 net acres and interests in 161 producing wells located in the Haynesville Shale trend of north Louisiana. For the year ended December 31, 2023, our average net production was approximately 198.6 MMcf/d. All of the proved reserves were associated with those properties as of December 31, 2023. Proved reserves are the estimated quantities of natural gas and condensate which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions (i.e., costs as of the date the estimate is made). Proved reserves are categorized as either developed or undeveloped.

#### Reserves

- The reserves as of December 31, 2023 were estimated by Netherland, Sewell & Associates, Inc. (“NSAI”), an independent petroleum engineering firm, and are set forth in the following table. Per SEC rules, NSAI based its estimates on the 12-month unweighted arithmetic average of the first-day-of-the-month price of natural gas for each month from January through December 2023. Prices include consideration of changes in existing prices provided for under contractual arrangements, but not on escalations or reductions based upon future conditions. The price used for the reserve estimates as of December 31, 2023 was \$2.64 per MMBtu of natural gas, adjusted for energy content, transportation fees and market differentials.
- The following table shows their proved reserves as of December 31, 2023:

	Natural Gas (MMcf)
<b>Proved reserves (as of December 31, 2023):</b>	
Developed	178,036
Undeveloped	—
<b>Total proved reserves</b>	<b>178,036</b>

Source: Tellurian 10-K

#### Competition

- **Production & Transportation.** The natural gas and oil business is highly competitive in the exploration for and acquisition of reserves, the acquisition of natural gas and oil leases, equipment and personnel required to develop and produce reserves, and the gathering, transportation and marketing of natural gas and oil. Main competitors include national oil companies, major integrated natural gas and oil companies, other independent natural gas and oil companies, and participants in other industries supplying energy and fuel to industrial, commercial, and individual consumers, such as operators of pipelines and other midstream facilities. Many of the competitors have longer operating histories, greater name recognition, larger staffs and substantially greater financial, technical and marketing resources than TELL currently possess.
- **Liquefaction.** The Driftwood terminal will compete with liquefaction facilities worldwide to supply low-cost liquefaction to the market. There are a number of liquefaction facilities worldwide that it competes with for customers.
- **LNG Marketing.** Tellurian competes with a variety of companies in the global LNG market, including (i) integrated energy companies that market LNG from their own liquefaction facilities, (ii) trading houses and aggregators with LNG supply portfolios, and (iii) liquefaction plant operators that market equity volumes.

#### Results of operations (in thousands)

	Year Ended December 31,		
	2023	2022	2021
Natural gas sales	\$ 166,128	\$ 270,975	\$ 51,499
LNG sales	—	120,951	19,776
<b>Total revenue</b>	<b>166,128</b>	<b>391,926</b>	<b>71,275</b>
Operating expenses	78,186	37,886	11,693
LNG cost of sales	—	131,663	24,745
<b>Total cost of sales</b>	<b>78,186</b>	<b>169,549</b>	<b>36,438</b>
Development expenses	35,616	68,782	50,186
Depreciation, depletion and amortization	98,426	44,357	11,481
General and administrative expenses	101,902	126,386	85,903
Related party charges	660	625	—
<b>Loss from operations</b>	<b>(148,662)</b>	<b>(17,773)</b>	<b>(112,733)</b>
Interest expense, net	(18,047)	(13,860)	(9,378)
(Loss) gain on extinguishment of debt, net	(32,295)	—	1,422
Other income (expense), net	32,827	(18,177)	5,951
Income tax benefit (provision)	—	—	—
<b>Net loss</b>	<b>\$ (166,177)</b>	<b>\$ (49,810)</b>	<b>(114,738)</b>

Source: Tellurian 10-K

## WOODSIDE ENERGY DESCRIPTION

- Woodside Energy Group Ltd operates as a petroleum exploration and production company. The Company offers crude oil, natural gas, and other petroleum products. Woodside Energy Group serves customers worldwide.
- The company has a robust hydrocarbon business with a focus on LNG. Woodside has proved reserves of some 135.7 million barrels of oil equivalent. In Western Australia, it is building on and progressing development of the Scarborough gas resource through the world-class Pluto LNG facility. Offshore, it operates three floating production storage and offloading (FPSO) facilities. The Asian markets account for the majority of its sales.
- The Australia segment (about 75% of the company's revenues) includes exploration, evaluation, development, production and sales of liquefied natural gas, pipeline gas, crude oil and condensate and natural gas liquids in Australia. The international segment (about 10%) involves the company's activities outside of Australia.
- Woodside's marketing segment (about 15%) markets, ships, and trades oil and gas portfolio and optimization activities attributed to Marketing which have generated incremental value. Corporate/Other items segment is comprised of primarily corporate non-segmental items of revenue and expenses, as well as associated assets and liabilities not allocated to operating segments.

### Operated Assets

- PLUTO LNG:
  - Pluto LNG processes gas from the offshore Pluto and Xena gas fields in Western Australia. Gas is piped through a 180 km trunkline to a single onshore LNG-processing train. Pluto LNG is underpinned by long-term sales agreements with Kansai Electric and Tokyo Gas, which each hold a 5% interest in the project.
  - Woodside is developing a brownfield expansion of Pluto LNG through the construction of a second gas processing train. Pluto Train 2 would have a capacity of about 5 million tonnes per annum (Mtpa) (100% Project).
  - Woodside has also completed the Pluto-KGP Interconnector, a pipeline connecting Pluto LNG and Karratha Gas Plant. The infrastructure allows the transfer of gas between the plants to optimise production across both facilities and enable future development of additional gas reserves.
  - Participating Interests: Woodside: 90%, Kansai Electric: 5%, Tokyo Gas: 5%
- North West Shelf Assets
  - Karratha Gas Plant: It is one of the most advanced, integrated gas production systems in the world, producing LNG, domestic gas, condensate and LPG. The facility is located 1260 kilometres north of Perth, Western Australia and covers about 200 hectares. The KGP has an export capacity of 16.9 Mtpa, with five LNG processing trains; two domestic gas trains; six condensate stabilisation units and three LPG fractionation units.

- North Rankin Complex: It includes the North Rankin A and North Rankin B platforms. Connected by two 100-metre bridges, the platforms operate as a single integrated facility. The NRC is Australia's largest offshore gas processing facility. Located 135 kilometres north-west of Karratha, NRC stands in 125 metres of water and has a daily production capacity of up to 66,000 tonnes of dry gas and 6000 tonnes of condensate from the North Rankin and Perseus fields.
- Goodwyn A Platform: The Goodwyn A platform is connected to the condensate-rich Goodwyn gas field, located 23 kilometres south-west of the North Rankin A platform and about 135 kilometres north-west of Karratha. Dry gas and condensate produced from the Goodwyn area reservoirs, and Searipple and Perseus satellite field reservoirs, are transported via a trunkline system to the Karratha Gas Plant for processing. Between 2015 and 2018, Woodside implemented the Greater Western Flank Project, connecting an additional eight fields to the Goodwyn A platform using subsea tie-backs.
- Angel Platform: The Angel platform is located about 120 kilometres north-west of Karratha and is connected to the North Rankin Complex (NRC) via a 50 kilometre subsea pipeline. Producing from the Angel field, the platform's not-normally manned design enables it to be safely powered and remotely controlled from the NRC, via a subsea cable.
- Participating Interests: Woodside, BP Developments Australia, Chevron, CNOOC, Japan Australia LNG, Shell Australia

#### ■ Australia oil assets

- Ngujima-Yin FPSO: The Ngujima-Yin FPSO is an oil production facility located over the Vincent oil field in Western Australia, 50 kilometres north west of Exmouth. Ngujima-Yin is a Thalanyji word meaning “to dream”. The Greater Enfield Project was completed in 2018, developing the Laverda Canyon, Norton over Laverda, and Cimatti oil accumulations through a subsea tie back to Ngujima-Yin. The project scope included a major refit of the Ngujima-Yin FPSO, installation of subsea infrastructure, and 12 development wells. Participating Interests: Woodside: 60%, Mitsui E&P Australia: 40%
- Okha FPSO: The Okha floating production storage and offloading (FPSO) vessel is an oil production facility moored to a riser turret located approximately 115 kilometres north west of Dampier, Western Australia. The Cossack, Wanaea, Lambert and Hermes oil fields are connected by flexible flowlines. Crude oil is offloaded from the facility via a flexible line to bulk tankers, while a pipeline exports LPG-rich gas from the Cossack and Wanaea fields to the NRC, before being transferred to the Karratha Gas Plant for processing. The Okha facility is operated by Woodside the Okha joint venture participants are Woodside Energy Ltd, Jadestone Energy (Australia) Pty Ltd, Chevron Australia Pty Ltd and Japan Australia LNG (MIMI) Pty Lt
- Pyrenees FPSO: The Pyrenees project consists of six conventional oil fields located approximately 45km northwest of Exmouth, Western Australia, in the Carnarvon Basin. Crude oil is offloaded from the FPSO directly to tankers for sale to international markets and attracts a premium to Brent given its low sulphur content. Produced formation water is treated on the facility and reinjected for disposal in four subsea water injection wells. A single well into the Macedon gas field allows for injection or production of natural gas depending on facility requirements. The Pyrenees Phase 4 project has been sanctioned with infill drilling and well intervention for water shut-off. Participating interests: Woodside, Santos, Inpex
- Greater Enfield

#### ■ Macedon

- Macedon is an offshore gas field located approximately 75km west of Onslow, Western Australia.
- Gas is produced from subsea wells and flows through a pipeline to a gas treatment plant located near Onslow. Sales quality gas is then transported via a dedicated 67km pipeline into the Dampier to Bunbury Natural Gas Pipeline and thereon for onward sale into the Western Australian domestic gas market.
- Participating interests: Woodside: 71,4%, Santos: 28,6%

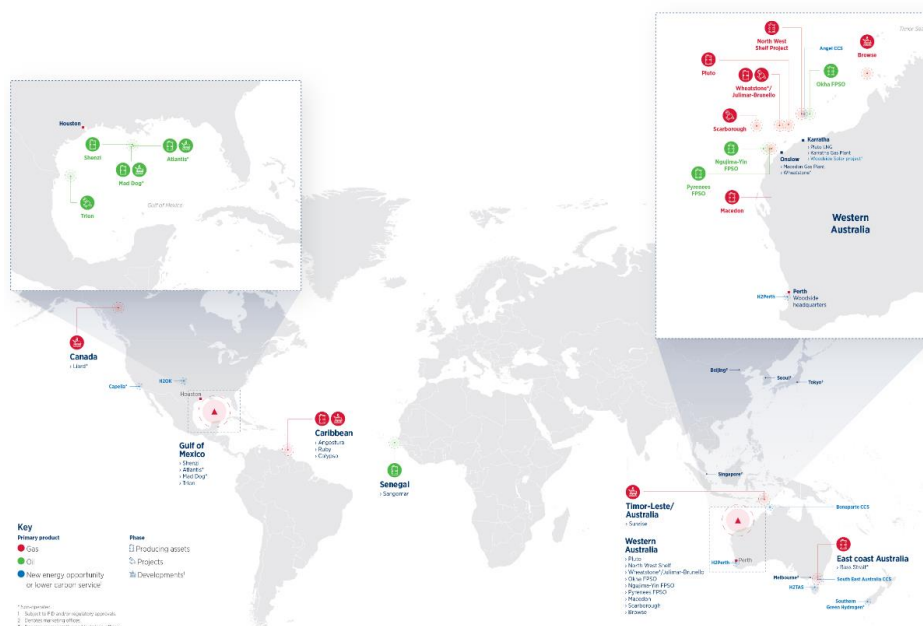
#### ■ Shenzi

- The Shenzi conventional oil and gas field is located approximately 195km off the coast of Louisiana in the Green Canyon protraction area, Gulf of Mexico.
- Crude oil produced from the field is transported to connecting pipelines for onward sale to Gulf coast customers. Natural gas production is transported via a lateral pipeline that is tied into the Cleopatra natural gas pipeline for ultimate transmission onshore to the Neptune processing plant in St. Mary's Parish, Louisiana.
- The Shenzi Joint Venture has recently progressed two brownfield developments, including a subsea multi-phase pumping project to increase production rates from existing wells.
- Shenzi Tension Leg Platform: The Shenzi platform is located approximately 195 kilometres off the coast of Louisiana (United States) in the Gulf of Mexico. It is a stand-alone tension leg platform that is installed in 1,310 metres of water. The platform produces both oil and gas with a production capacity of 100,000 bbl/d and 50 MMscf/d respectively. The platform currently consists of 17 wells with two in development phase.
- Shenzi North: Shenzi North, the first development phase of the Greater Wildling mini-basin, was discovered in 2017. The project is expected to add two wells and subsea equipment to establish a new drill centre north of Shenzi. This project takes advantage of existing infrastructure and production capacity in the nearby Shenzi production facility.

- o Caesar and Cleopatra pipelines: Woodside owns a 25% and 22% interest respectively in the companies that own and operate the Caesar oil pipeline and the Cleopatra natural gas pipeline which connect the Green Canyon area to connecting pipelines that transport the product onshore.
- o Participating Interests: Woodside, Repsol
- Greater Angostura
  - o The Greater Angostura field is an offshore conventional oil and gas field located 38km northeast of Trinidad. The Angostura field was discovered in 1999, with first oil achieved in January 2005 (Phase 1). Phase 2 established gas sales in 2011. First gas for Angostura Phase 3 was established in September 2016. Ruby is a conventional offshore oil and gas field located within the Greater Angostura Fields. First oil was achieved in May 2021.
  - o The current development comprises a main central processing platform (CPP), gas export platform (GEP), four wellhead protector platforms (WPP) and onshore terminal. Flowlines connect the Ruby wellhead platform back to the CPP and GEP for processing.
  - o Crude oil from CPP is transported to the Terminal Facility located in the south eastern end of Trinidad.
  - o Participating interests: Woodside, National Gas Company, Chaoyang

**Non-Operated Assets**

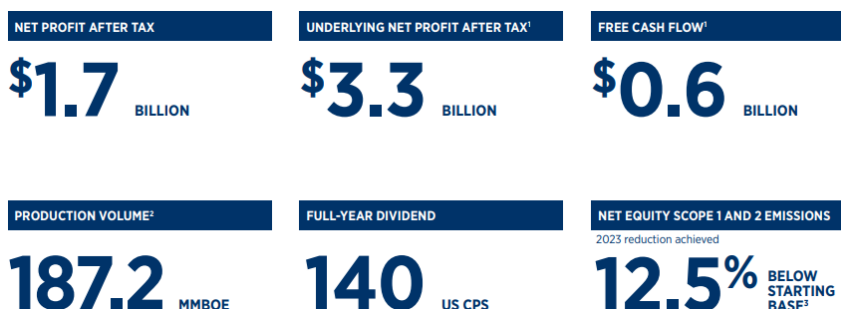
- Bass Strait: Operated by ExxonMobil, the Bass Strait Project consists of numerous conventional oil and gas fields in the well-established Gippsland Basin off the south-east coast of Victoria, Australia. The project consists of an integrated network of offshore platforms and subsea tie-backs connected via extensive pipeline infrastructure to onshore processing facilities at Longford and Long Island Point. Natural gas production from Bass Strait currently supplies approximately 40% of Australian east coast domestic gas demand and is the largest supplier into the Eastern Australian domestic gas market, which spans Queensland, New South Wales, Victoria, Tasmania, Australian Capital Territory, Northern Territory and South Australia. The asset also produces crude oil and condensate, LPG and ethane which is sold to both domestic and international customers.
  - o Participating Interests: Woodside, Exxon, Mitsui
- Mad Dog: Operated by BP, the Mad Dog conventional oil and gas field is located 200km off the coast of Louisiana (United States) in the south-eastern Green Canyon protraction area, U.S. Gulf of Mexico
  - o Participating Interests: Woodside: 23.9%, BP: 60.5%, Chevron: 15.6%
- Atlantis: Operated by BP, Atlantis conventional oil and gas field is one of the largest producing fields in U.S. Gulf of Mexico, located off the coast of Louisiana in the south-eastern Green Canyon protraction area.
  - o Participating Interests: Woodside: 44%, BP: 56%
- Wheatstone: Operated by Chevron on behalf of the Wheatstone Joint Venture, the Wheatstone Project processes gas from the offshore Wheatstone, Iago, Julimar and Brunello gas fields. The Wheatstone Project consists of an offshore platform located 220 km from Onslow, Western Australia, connected by a trunkline to an onshore plant consisting of two LNG trains, a domestic gas plant and associated infrastructure. The fully operational Wheatstone Project will contribute over 13 MMboe of Woodside's annual LNG and domestic gas production.
  - o Participating interests: Wheatstone LNG processes gas from two separate upstream developments, the Wheatstone Project (80%) and the Julimar Development Project (20%).
  - o Wheatstone Project: Woodside: 13%, Chevron: 64.1%, KUFPEC: 13.4%, Kyushu Electric Power: 1.5%, PE Wheatstone
  - o Julimar Development Project: Woodside: 65%, KUFPEC: 35%



Source: Company website

**Marketing and trading**

- Natural gas is sold domestically in both Western Australia and the east coast of Australia. In Western Australia, Woodside’s domestic gas obligations are met from multiple producing assets. All production from Bass Strait is sold into the east coast domestic market. From June to December 2022, Woodside supplied approximately 86 petajoules (PJ) of natural gas from the project, representing approximately 15% of all gas supplied to the east coast market.<sup>1</sup> In 2023, almost 90% of Woodside’s equity production from the Bass Strait has been sold under term sales and any excess capacity is expected to be sold into domestic spot markets. In the Western Australian market, Woodside volumes accounted for approximately 14% of domestic gas supplied in 2022.
- In the Asia-Pacific, the LNG portfolio has been supplemented by Pluto gas transported through the Pluto-KGP Interconnector, which has resulted in additional sales of uncontracted LNG cargoes in a high-priced market. In 2022, Woodside’s exposure of produced LNG to gas hub indices was 23%



Source: Annual Report – Woodside Energy

**STRATEGIC RATIONALE FOR THE MERGER**

- The acquisition of Tellurian and its Driftwood LNG development opportunity strengthens Woodside’s positioning to deliver on our strategy to thrive through the energy transition. The expected benefits of the acquisition include:
  - Expanding Woodside’s position as a leading independent LNG company;
  - Adding a high-quality, fully permitted US LNG development option to Woodside’s portfolio;
  - Leveraging Woodside’s LNG development, operations and marketing expertise to unlock the development and create value;
  - Enabling value creation from marketing optimisation with geographic diversification;
  - Increasing long-term cashflow generation potential with a phased development to manage investment decisions aligned with Woodside’s capital allocation framework; and
  - Supporting Woodside’s carbon competitiveness through increased exposure to LNG and potential to reduce the average Scope 1 and 2 emissions intensity of Woodside’s LNG portfolio.
- Woodside’s target of reducing net equity Scope 1 and 2 emissions by 2030, and aspiration for net zero by 2050, are unchanged.
- Management believes the Tellurian transaction represents a cost-competitive entry point for a near FID ready and fully permitted LNG project.
- The Driftwood LNG project has a total permitted capacity of 27.6 Mtpa with five trains and four expected phases of development. Initial foundation development includes Phase one and two for a total capacity of 16.5 Mtpa.
- The project adds a complementary presence in the Atlantic Basin and Woodside believes it can generate significant value through marketing and trading abilities.



Source: Merger Presentation

## Key risks

### REGULATORY RISKS AND TIMING

- The deal requires HSR, CFIUS and DOE approvals.

#### HSR approval

##### Tellurian operations

- Driftwood LNG is a liquefied natural gas (LNG) export facility being constructed on a 1,200 acre site on the Calcasieu River west bank, south of Lake Charles, Louisiana in the U.S. Gulf Coast. Driftwood LNG is designed for a total of ~27.6 mtpa of export, five plants, 20 trains, three storage tanks and three berths. Additional site work in 2023 will significantly advance piling, foundations and construction of marine offloading facilities. Once complete, phase one will have two LNG plants and 11 mtpa of export capacity. First LNG production is expected in late 2026/early 2027, with commercial operations following.

#### Segmental revenue breakdown (in thousands)

Year ended December 31, 2023	Upstream	Midstream	Marketing & Trading	Corporate	Consolidated
Revenues from external customers <sup>(1)</sup>	\$ 18,047	\$ —	\$ 148,081	\$ —	\$ 166,128
Intersegment revenues (purchases) <sup>(2) (3)</sup>	148,081	(7,969)	(135,781)	(4,331)	—
Segment operating income (loss) <sup>(4)</sup>	(55,501)	(55,289)	(7,306)	(30,566)	(148,662)
Interest expense, net	1,506	(1,007)	6	(18,552)	(18,047)
Loss on extinguishment of debt, net	—	—	—	(32,295)	(32,295)
Other income (loss), net	1,193	—	12,783	18,850	32,827
Consolidated loss before tax					\$ (166,177)

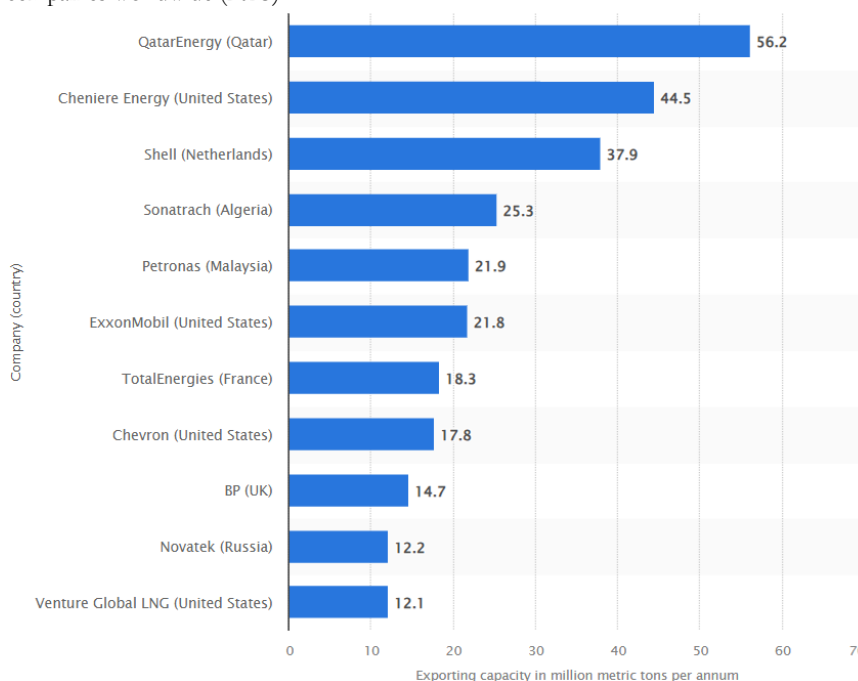
Source: Tellurian 10-K

#### Woodside LNG

- Woodside Energy is a significant player in the energy sector. They are also one of the biggest producers of LNG globally.
- However, Woodside’s portfolio has very limited exposure to LNG production in North America, they only have non operated assets:
  - The **Liard field** is an unconventional gas field located in British Columbia, Canada. In 2023, Woodside completed a transaction whereby Calgary-based Paramount Resources took a 50% equity interest in, and operatorship of, 28 leases of the Liard field. Woodside signed an agreement to join the Rockies LNG partnership as an option to potentially export LNG via the west coast of Canada. The Rockies LNG Partnership is collaborating with Western LNG and the Nisga’ Nation, the developers of the Ksi Lisims LNG project in British Columbia. Woodside holds a 50% participating interest in the Liard field.
  - Mad Dog in the US Gulf of Mexico (operated by BP) with a participating interest of 23.9%
  - Atlantis, also in the US Gulf of Mexico (operated by BP) with a participating interest of 44%.

#### Market share

Leading LNG exporting companies worldwide (2023)



Source: Statista

- Woodside's current LNG capacity - operated, equity share and off-take - stands at about 12.05 million tons per annum.

- Woodside's limited exposure to LNG production in North America reduces the risk of becoming an overly dominant player in the market with this acquisition.
- Additionally, Tellurian's market share is not substantial. The Driftwood project, still under development, will add production capacity to the merged companies; with the full potential of the project, the combined production capacity will be around 40 million metric tons per annum.
- This would position Woodside among the top three LNG producers globally once the Driftwood project is finalized.
- **CBR comment:**
  - Since Woodside does not directly operate any assets in the U.S., We don't see the combination of the two companies facing an in-depth antitrust review.
  - Upon completion of the Driftwood project, the merged company would become one of the largest LNG producers globally. However, we do not foresee any regulatory concerns, as the LNG sector is highly competitive, and since this is a future development, it is not expected to raise regulatory concerns about market dominance at this time.

#### CFIUS approval

- Generally, CFIUS scrutiny is heightened for companies originating from countries that are considered potential security risks or have strained political relations with the United States. These typically include countries like China, Russia, Iran, and North Korea. Companies from these nations often face more rigorous evaluations due to concerns over national security, espionage, or other geopolitical factors.
- In contrast, Australia is a close ally of the U.S. with strong bilateral relations, which generally facilitates smoother CFIUS approval processes for Australian companies.
- Since Woodside is an Australian company, we believe obtaining CFIUS approval should not pose significant issues.
- The initial review process lasts 45 days once the filing is complete. Even if extended by an additional 45 days, which we currently see no reason for, the deal can still be finalized by the end of the year (the extended outside date).
- **CBR comment:**
  - Given that Australia poses no national security threat, we believe CFIUS approval will be granted without issue.
  - Regarding the timeline for approvals, we expect that even if there are delays, the deal should still be able to close by the end of the year.

#### Recent Developments in U.S. LNG Export Policies

##### January 26, 2024:

- The Biden administration announced a pause on approvals for liquefied natural gas (LNG) exports to countries without free trade agreements (FTAs). This decision was driven by environmental concerns related to climate change and the need to assess the impact of LNG exports on global emissions.
- The pause aimed to ensure that the approval process considers current market dynamics, environmental implications, and national security interests.
- The pause specifically affects reviewing new non-FTA export applications. **Existing LNG projects and authorized exports continue unaffected.**

##### July 1, 2024:

- there was a legal challenge and a court ruling on the pause.
- Sixteen states, primarily red states, challenged the pause, arguing that it would harm their economies. They contended that the Department of Energy (DOE) failed to justify the need for the pause adequately.
- Federal Judge James Cain in Louisiana ruled in favor of the states, putting the pause on hold. He emphasized that the DOE did not adequately consider factors such as:
  - National Security: Ensuring that LNG exports do not compromise national security interests.
  - State Revenues: The economic impact on states relying on LNG exports.
  - Employment Opportunities: The potential job creation associated with LNG projects.
  - Environmental Concerns: Addressing pollution and climate impacts.
- The pause is expected to last through early next year, allowing time for a thorough review of the permitting process.

#### Department of Energy approval:

- The transaction is subject to satisfaction of customary conditions precedent, including maintenance of validity for existing authorisations (e.g. Department of Energy (DOE) and FERC).
- "Driftwood LNG has authorization from the DOE/FECM to export LNG in a volume up to the equivalent of 1,415.3 Bcf per year of natural gas to FTA countries for a term of 30 years and to Non-FTA countries for a term through December 31, 2050."
- "On January 26, 2024, the Biden Administration announced a temporary pause on new and pending approvals of applications to export LNG to Non-FTA countries. This pause is in effect until the DOE can update its underlying economic and environmental analyses for such authorizations. This announcement does not impact the validity of previously issued Non-FTA authorizations or applications for FTA authorization. Moreover, the DOE has clarified that applications for extensions of the commencement date for existing Non-FTA authorizations remain unaffected by the pause."

**CBR view:**

- **Given that the ongoing negotiations regarding the policy changes in the LNG market do not affect existing LNG projects and authorized exports, we believe that the DOE approval will be received without any issues.**

**Tellurian's Financial Struggles**

- Tellurian has faced significant financial challenges for several years, consistently reporting losses and struggling to generate profits from its investments.
- Over the past three years, the company has seen its total debt quadruple, reflecting its ongoing difficulties in managing its financial obligations.
- The Driftwood project, which is central to Tellurian's growth strategy, requires substantial capital investment. However, securing the necessary financing has proven to be a major hurdle for the company, with no clear path forward for raising the funds needed to complete the project.
- They have already invested more than \$1 billion into the development of Phase 1, and are committed to finish the project.
- The extensive capital expenditures required could amount to \$15-16 billion by the time the foundation development (Phase 1 and Phase 2) is completed, further straining Tellurian's already fragile financial position.
- Without the potential acquisition by Woodside, Tellurian's financial outlook appears increasingly bleak, with the company possibly facing insolvency or even bankruptcy.
- The deal with Woodside offers a crucial lifeline for Tellurian, providing not only the necessary financial support to move forward with the Driftwood project but also a strong incentive for the company to expedite the closing of the acquisition.
- The agreement includes a bridge loan from Woodside, providing Tellurian with \$230 million to ensure that Driftwood LNG site activities maintain momentum prior to the deal's completion, effectively serving as a bailout for Tellurian.

**CBR View:**

- **We believe that both companies have strong incentives to complete the transaction.**
  - **The deal appears to resolve Tellurian's financial challenges, and it also provides the necessary financing for project development, which the company has struggled to secure.**
  - **Woodside has solid strategic reasons for acquiring Tellurian and completing the Driftwood project, especially if they aim to become one of the largest LNG producers globally.**
- **However, we believe that the outside date and the short extended outside date indicate that Woodside wants to complete the transaction as quickly as possible under the current conditions.**
- **We see a significant risk that if regulatory approvals cause any delay, Woodside might either walk away from the transaction or reduce the offer price.**
- **In the latter scenario, we believe Tellurian's board would have little choice but to recommend the reduced price, as failing to do so could lead to further financial difficulties or a worsening of their already precarious situation.**
- **While we do not see any clear reason for regulators to block the deal, delays are always possible.**

**SHAREHOLDER VOTE**

- The deal requires approval from Tellurian shareholders. Bidder vote is not required.
- Tellurian's recent earnings indicate financial instability, with an increasing risk of bankruptcy. This acquisition could provide a lifeline, backed by Woodside's strong financial resources.
- Tellurian's second-largest shareholder, Chatterjee Management Company, which owns 5.3% of the company, is dissatisfied with the sale price but is expected to support the Woodside deal unless a better offer emerges.
- We anticipate that shareholders will vote in favor of the acquisition, especially considering the substantial premium being offered.

**COUNTERBID**

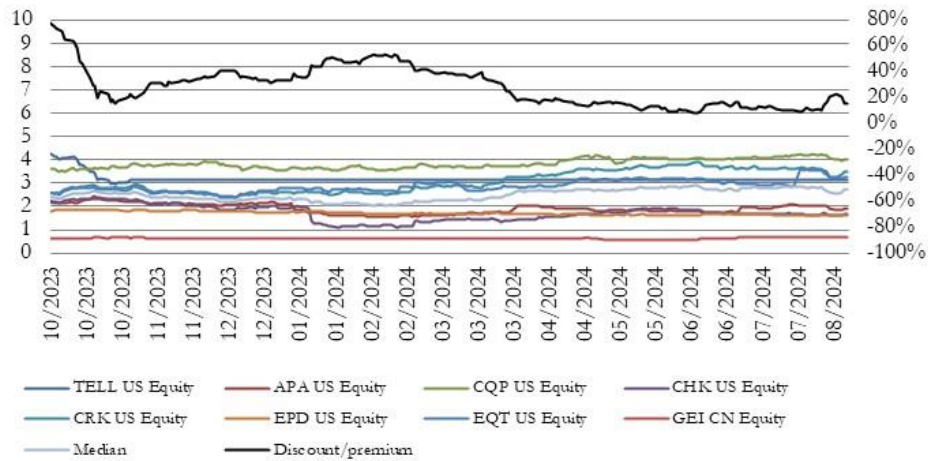
- The deal carries significant risks for the bidder, as the Driftwood project is still under development and Tellurian's financial outlook does not suggest substantial future returns.
- However, Woodside's strong track record in the industry and robust financial resources enable them to view this acquisition optimistically. They plan to take over the Driftwood project and maximize its potential.
- We believe that few companies in the market are willing to take on such risks. Competitors are better positioned in the market and already have a presence in North American LNG production, giving them little incentive to pursue a high-risk, high-reward investment like the Tellurian acquisition.
- Prior to Woodside's offer, there was no serious interest expressed in an equity investment in the Driftwood project or Tellurian.
- Given the high risks associated with the deal and the absence of previous bidders, we believe it is unlikely that a competing counterbid will emerge.

## Valuation

### STANDALONE VALUE

- In a no deal situation, based on historic EV/Sales multiple of Tellurian, we see the downside around \$0.35-0.40, with a deal closing probability of 87-88%.
- However, we believe that if the deal does not proceed, Tellurian's financial situation could become increasingly uncertain, as the company has struggled to generate profits and secure the necessary funding for its developments without external support.
- With a downside of ~\$0, we see the deal closing probability at above 90% with a target closing date of December 31, 2024.

Peers EV/LTM Sales and discount/premium vs median



Source: CBR and Bloomberg

### PREMIUM

The deal represents

- a 75% premium to Tellurian's closing price on July 19, 2024, and a 48% premium to Tellurian's 30-day volume weighted average price.

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**Disclosures:**

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