



Walid al Shoabi

OIL SERVICES

Digging deep

Walid al Shoabi, managing director of Saudi Arabian oil services company, Shoabi Group, talks to *The Gulf* about prospects for the sector, new technologies, and why international oil companies are set to refocus on the Middle East

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TO Walid al Shoabi, managing director of Al Khobar-based oil services company, Shoabi Group, the explosion that sent the Deepwater Horizon oil rig to the bottom of the Gulf of Mexico and led to thousands of barrels of oil gushing daily into the ocean since April, has a potential upside.

“It’s going to impact us positively for a number of reasons,” he asserts. “There is no doubt that costs related to doing business in the Gulf of Mexico and the US are going to become much more expensive, and standards are going to become much tougher.”

BIOGRAPHY

Walid al Shoaibi oversees Shoaibi Group's operations and finances, and leads the group's corporate investments and joint ventures. He also sits on the board of a number of the group's joint ventures, including Saudi Halliburton Logging, McDermott Arabia Limited, Kalaam Telecom, Chemical Development Company, Saudi United Cooperative Insurance Co (WALAA).

He also serves on the Industrial Committee of Eastern Province Chamber of Commerce and Industry. He holds a bachelors degree in Civil Engineering from Rice University, Houston Texas, US, and an MBA from the University of Houston.

As costs go up and regulations intensify in the US, he predicts that international oil companies (IOCs) and oil field services firms will refocus their attention on the eastern hemisphere in general, and the Middle East in particular.

"It's where the growth is," he says. "I see that more and more companies are going to refocus and invest even more in this part of the world."

This is good news for Shoaibi Group, a family business that through its multifarious subsidiaries provides manufacturing, trading, and contracting and services for the oil and gas industry. The firm, which was established in 1973, by Al Shoaibi's father, Suhayl Abdul Mohsen al Shoaibi, has been capturing Saudi Arabia's burgeoning oil and gas industry, though a number partnerships with companies such as the US's Halliburton, McDermott International, FMC Technologies and France's Technip.

Though Saudi Arabia reviewed many projects as a result of the global dip in demand for energy, the world's largest oil producer continued to invest in its offshore industry. Shoaibi Group has, through its subsidiaries, also formed partnerships with Topaz Energy and Marine, Gulf Marine Services, Horizon Survey, McDermott International, and Pride International to provide support for Saudi's offshore investment plans.



Photo: Ian Parker

Regulations for offshore drilling in the US are set to become tougher

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"Saudi Arabia is surrounded by sea on two sides and there are more and more projects in the offshore market which is very lucrative market," says Al Shoaibi.

Shoaibi Group's main client is Saudi Aramco, the kingdom's vast national oil company (NOC). Though oil services were badly affected by the downturn and the ensuing retrenchment of international oil companies, NOCs such as Saudi Aramco continued to invest.

"When things slow down and cuts are to be made the IOCs do that dramatically and very quickly because they're publicly quoted companies," explains Al Shoaibi. "NOCs have a smoother landing. There are cuts, but they don't come as suddenly, and the NOCs take

the long view."

As a result, Shoaibi Group's order book has continued to grow. Despite the wild fluctuations in oil prices over the past few years, from highs of \$150 a barrel to lows of \$50, Al Shoaibi says: "Over the past five years our order book has developed very aggressively."

Though margins were squeezed last year Shoaibi Group notched up a consolidated turnover in excess of \$480 million and representative revenues of more than \$ 2 billion.

The price of oil which last month settled around \$77 a barrel, has encouraged more discretionary spending in the industry and the oil services sector has shown signs of recovery. The rebound in energy prices this year has encouraged producers to increase investment, creating more demand for drilling rigs and exploration.

"Where the price of oil is right now is excellent," argues Al Shoaibi. "Four or five years ago, everyone said if we can reach \$50 and above for the next ten to 20 years we would be happy."

The Middle East he points out is



► “extremely price sensitive.”

“However if you look at the major oil services companies, they say their most important markets are in our area – its more predictable, this is where they get the biggest revenue generators and to a certain extent, the highest gross margins.”

Shoaibi Group, which also has operations in Algeria, Bahrain and Egypt, plans to expand into other Gulf Cooperation Council countries and beyond, but will continue to focus its main investment in Saudi Arabia.

“We still think Saudi Arabia is underserved from our side,” says Al Shoaibi. “It’s the largest market, it has the largest dollar spend, and its where most of the activity is.”

In some areas of the trading business, Shoaibi Group has already established a strong position in the Saudi market, particularly as re-sellers in seamless pipes. The group plans to open a local manufacturing facility for seamless pipes by the end of the year.

Another potentially vast and lucrative market is Iraq. Since the opening up of the Iraqi oil sector, and the auctioning of its biggest fields late last year, companies have shifted their attention to the country.

“We’re looking at Iraq very closely now,” explains Al Shoaibi. “We’re not looking at starting at zero but maybe through an acquisition. We think starting at zero would be extremely risky and very difficult in this environment.”

The group has invested in a myriad of oil field services firms. Al Shoaibi’s younger brother, Faisal, a Wharton-educated former investment banker, serves as principal group director heading up the firm’s international investments. Another brother, Khalid, an engineer, also serves as a principal group director, leading the group’s business development, trading, joint ventures and contracting operations. Mark Jenkins, a former executive vice president with European information technology firm, Atos Origin, sits on the group’s board and oversees its operations and direct investments.

The firm has developed more than 40 joint ventures. Al Shoaibi says that the company looks to partner with firms



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that provide products and services that address a particular and focused industry need.

“We’re not interested in commodities,” he asserts. “We are not interested for example, in a commodity business without services as you end up competing on price and there are

always people who are willing to do it cheaper. Secondly, we co-partner with companies that are leaders in their field.”

The third area that Al Shoaibi looks for in partnership is new technologies. The group has a private equity arm which has aligned itself with a number of oil and gas companies pursuing new technologies in exploration and well optimization.

One such company is Houston-based Ingrain, which computes the physical properties and fluid flow characteristics of oil and gas reservoir rocks through its digital rock physics lab, explains Al Shoaibi.

Shoaibi Group also pursues its own research and development, under the guidance of David Malone, an ex-portfolio manager with Schlumberger who



spent 26 years with the world's largest oil field services group, 17 of which were in research and development.

Shoabi Group recently established its own incubator project, in Dhahran's Technology Valley. Its goal is to bring new upstream technologies to Saudi Aramco through sponsorship with universities and other R&D centers, explains Al Shoabi.

It has also established a petrochemical arm, through a company called Chemical Development Company. The firm, which is developing a polysilicon plant in the industrial city of Jubail, is a venture between Shoabi Group, Olayan, Zayzafoon Holding, Al Binali, Salman Al Jishi, and Al Mojel Trading & Contracting Company.

"Over the past two years we've set numerous new ventures, and we're

'We still think Saudi Arabia is underserved from our side'

hoping that over the next few years they'll be a major contributor from a revenue standpoint," says Al Shoabi. "We've made at least 20 new investments, including cash investments, and we hope these will be the ones to carry us down the next decade."

The next decade will also determine whether or not a third generation will join the family business. "Everyone wants to see a third generation involved," explains Al Shoabi. "But only if they are willing to be, and if they're up to it."

Al Shoabi takes succession planning

seriously. Shoabi Group recently co-hosted a seminar with JPMorgan addressing the challenges faced by family businesses, he says, "how to pass it on, how the family can start to take a backseat."

There are however no immediate plans to list the company. "We're looking more at the subsidiaries, converting them or talking with people who have businesses with similar interests, partnering with them and then listing those companies," he explains.

Al Shoabi says that looking ahead group will continue to focus on its core businesses.

"We'll stay the course," he asserts. "We want to see our investments made over the last couple of years becoming our revenue generators for the future." ■