

## Pierre Andurand-Backed DeepStream Eyes Energy Sector Credit Fund

2 October 2017, 10:00 GMT

By Sally Bakewell

- [DeepStream](#) will lend to suppliers in oil and gas industry
- Procurement firms struggled to find financing after oil drop

(Bloomberg) –

Pierre Andurand, the hedge fund manager who made bucketloads predicting swings in the oil market, wants to use some of his gains to help fund energy-industry suppliers who've been struggling to find financing.

He is an investor in DeepStream Technologies Ltd., a London-based firm which is planning a \$300 million to \$400 million fund to finance companies procuring in the oil and gas industry. DeepStream will start lending out money in the second half of next year with an offering that will include invoice finance, where customer bills are used as loan collateral, Chief Executive Officer Jack Macfarlane said.

With oil lingering around \$50 a barrel crimping industry profits, suppliers are facing the prospect that customers push back payments, meaning they're without the funds needed to make the goods on order. Invoice finance allows an amount of the unpaid bill to be released upfront, meaning the supplier doesn't have to wait or seek bank loans where the approval process can be lengthy.

"Lower current oil price and profitability is manifesting itself in different areas, including worsening payment terms being forced upon suppliers to the industry," said Macfarlane, who previously worked at UBS Group AG as head of strategic equity solutions for Latin America. Invoice finance sometimes makes "the difference between a supplier being able to bid or not," he said.

### Lending Risks

Set up last year as an online marketplace for oil and gas companies, DeepStream's backers include Andurand, the founder of hedge fund Andurand Capital Management, who invested in the company in an individual capacity, according to Macfarlane. Markus Hunold, a director at KKR & Co., also put up his own money. Hunold confirmed his investment while representatives for Andurand declined to comment.

DeepStream will also provide asset-backed lease finance and production payment finance, where invoice debt is replaced by a percentage of buyer project revenue, according to Macfarlane. It will use money raised from investors as equity or subordinated debt, as well as credit lines and loans from banks, credit and infrastructure funds, Macfarlane said.

To be sure, there are risks to lending based on future cash flows that come into sharp focus when the price for oil is just over half what it was in 2014. And there can be issues if financing invoices aren't confirmed by buyers, or transactions backing the invoice aren't bona fide. Macfarlane said DeepStream can view the whole transaction trail, which can mitigate such issues.

The continuing slump in oil has focused efforts on cutting industry costs, in particular procurement, where "endemic" inefficiencies exist, according to Macfarlane. Improved collaboration between oil and gas firms and suppliers could trim as much as \$240 billion off purchases of exploration and production equipment over five years, a McKinsey & Co. piece of research in June shows.

"As a finance guy coming in looking at it, I see so much fat in the system," said Macfarlane. "People are interested in us because their profits are getting hit and they need to cut costs."

To contact the reporter on this story:

Sally Bakewell in New York at [sbakewell1@bloomberg.net](mailto:sbakewell1@bloomberg.net)

To contact the editors responsible for this story:

Nikolaj Gammeltoft at [ngammeltoft@bloomberg.net](mailto:ngammeltoft@bloomberg.net)

Kenneth Pringle

To contact DeepStream:

Email at [info@deepstreamtech.com](mailto:info@deepstreamtech.com)