

**TALOS**  
ENERGY, LLC



**STONE**  
ENERGY



# Noteholder Exchange Offer

## March 2018

# Cautionary Statements

## **Forward Looking Statements**

*This presentation and the oral statements made in connection therewith may contain “forward looking statements” within the meaning of securities laws. Any forward looking statements involve risks, uncertainties and assumptions. Although we believe that the assumptions and analysis underlying these statements are reasonable as of the date hereof, you are cautioned not to place undue reliance on these statements. Forward looking statements include information, statements, estimates, targets and projections provided by Talos Production LLC and subsidiaries (“Talos” or the “Company”) or Stone Energy Corporation and subsidiaries (“Stone”) concerning the Company’s or Stone’s liquidity and possible future performance, financial condition or results of operations, including descriptions of each of their respective business strategies, reserves and resources, future production, capital expenditures, including planned wells, and cost savings or other benefits each expects to achieve as well as information, statements, estimates, targets and projections concerning, among other things, the ultimate outcome and benefits of a transaction between Talos and Stone and timing thereof, and future financial performance. These statements often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “target,” “project,” “forecast,” “seek,” “will,” “may,” “should,” “could,” “would,” or similar expressions. These statements, estimates, targets and projections are based on certain assumptions that the Company and Stone have made in light of their experience in the industry and their perceptions of historical trends, current conditions, expected future developments and other factors that the Company and Stone believe are appropriate under the circumstances as of the date hereof. Neither Talos nor Stone assumes any obligation to or intends to update any forward looking statements included herein. You should understand that these statements are not guarantees of future performance or results. Actual results could differ materially from those described in any forward looking statements contained herein as a result of a variety of factors, including the timing to consummate the proposed transaction, the risk that a condition to closing of the proposed transaction may not be satisfied and the transaction may not close, the risk that a regulatory approval that may be required for the proposed transaction is delayed, is not obtained or is obtained subject to conditions that are not anticipated, the impact of changes in national and regional economies, litigation relating to the transaction and other known and unknown risks and uncertainties and other risk factors discussed in Stone’s filings with the SEC, many of which are beyond Talos and Stone’s control.*

*This presentation has been prepared by the Company and Stone and includes market data and other information from sources believed by us to be reliable, including industry publications and surveys. Some data are also based on our good faith estimates, which are derived from our review of internal sources as well as the independent sources described above. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.*

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## **No Offer or Solicitation**

*This communication is for informational purposes only and is not intended to and does not constitute an offer to subscribe for, buy or sell, the solicitation of an offer to subscribe for, buy or sell or an invitation to subscribe for, buy or sell any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, or pursuant to an applicable exemption from registration, and otherwise in accordance with applicable law.*

# Cautionary Statements

## **Important Additional Information**

*In connection with the proposed transaction, Sailfish Energy Holdings Corporation, a subsidiary of Stone that will be renamed Talos Energy, Inc. as of the closing of the proposed transaction (“Newco”), has filed with the SEC a registration statement on Form S-4, including Amendment No. 1 and Amendment No. 2 thereto, containing a preliminary consent solicitation/prospectus of Newco and Stone, as well as other relevant documents concerning the proposed transaction. The registration statement has not yet become effective. After the registration statement is declared effective by the SEC, Newco will file with the SEC a definitive consent solicitation/prospectus and Stone will mail the definitive consent solicitation/prospectus to its shareholders. This communication is not a substitute for any proxy statement, registration statement, proxy statement/prospectus or other documents Stone and/or Newco may file with the SEC in connection with the proposed transaction. INVESTORS AND SHAREHOLDERS OF STONE ARE URGED TO READ CAREFULLY AND IN THEIR ENTIRETY THE REGISTRATION STATEMENT AND THE CONSENT SOLICITATION/PROSPECTUS REGARDING THE PROPOSED TRANSACTION AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and shareholders will be able to obtain a free copy of the consent solicitation/prospectus, as well as other filings containing information about Talos, Stone and/or Newco, without charge, at the SEC’s website (<http://www.sec.gov>). Copies of the consent solicitation/prospectus and the filings with the SEC that are incorporated by reference in the consent solicitation/prospectus can also be obtained, without charge, from Stone by going to the “Investor Center” section of Stone’s website, [www.StoneEnergy.com](http://www.StoneEnergy.com) or from Talos by directing a request via email or telephone ([investor@talosenergyllc.com](mailto:investor@talosenergyllc.com), 713-328-3000).*

## **Participants in the Solicitation**

*Talos, Stone, Newco and certain of their respective directors, executive officers and members of management and employees may be deemed to be participants in the solicitation of written consents in respect of the proposed transaction. Information regarding Stone’s directors and executive officers is set forth in Stone’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Information regarding Talos’s directors and executive officers and more detailed information regarding the identity of all potential participants, and their direct and indirect interests, by security holdings or otherwise, is set forth in the consent solicitation/prospectus and other relevant materials filed with the SEC. Free copies of these documents may be obtained from the sources indicated above.*

## **Proved Reserves and SEC PV-10 (Standardized Measure) Data**

*Estimates of proved reserves at December 31, 2017 were independently prepared by Netherland, Sewell & Associates, Inc. (“NSAI”), a worldwide leader of petroleum property analysis for industry and financial organizations and government agencies.*

*Standardized Measure: The present value of estimated future net revenue to be generated from the production of proved reserves, determined in accordance with the rules, regulations or standards established by the United States SEC and the Financial Accounting Standards Board (“FASB”) (using prices and costs in effect as of the date of estimation), less future development, production and income tax expenses, and discounted at 10% per annum to reflect the timing of future net revenue. Because Talos and Stone are not taxpaying entities for federal income tax purposes, Talos and Stone are not subject to federal or state income taxes and thus make no provision for federal or state income taxes in the calculation of standardized measure. Standardized measure does not give effect to derivative transactions.*

*SEC pricing: The unweighted average first-day-of-the-month commodity price for crude oil or natural gas for the prior twelve months, adjusted by lease for market differentials (quality, transportation, fees, energy content, and regional price differentials).*

# Exchange Offer Organizational Overview

Talos / Stone will exchange any and all 7.500% Stone Energy 2nd Lien Notes due 2022 for new 11.000% Talos 2nd Priority Secured Notes due 2022 and a “work fee” payment. The exchange will have an embedded consent solicitation to remove substantially all restrictive covenants and strip the collateral from the old notes.

## Transaction Structure

- Target Notes: \$225mm Stone Energy 7.500% 2nd Lien Notes due 2022
- New Notes: Talos 11.000% 2nd Priority Senior Secured Notes due 2022
  - Par-for-par exchange offer, with a step-down to 97 after 10 business days
- Work Fee: 2.37pts of cash
- Embedded Consent: Remove all restrictive covenants from the notes with a majority vote and strip all collateral with a two-thirds vote
- Conditions of the Offer
  - Merger Condition
  - Requisite Consent Condition (i.e, a majority of the old notes tendering)
- Structure: 144A / Reg S with Registration Rights offered to QIBs, accredited investors and non-U.S. persons only


## Structural Alternatives

- Overall Cap: Any & All
- Timing Considerations: 20 business day exchange offer with a 10 business day Early Exchange period
- Early Exchange Premium: 3.0% step-down after 10 day Early Exchange period
- Target Launch: March 20

## Transaction Considerations

- Talos / Stone combination has been approved by the Talos equity holders
- Majority of Stone stockholders have agreed to vote in favor of the Talos / Stone combination
- Affiliated Noteholders (including the two primary noteholders) have agreed to exchange
- Any non-participating noteholders that decline the exchange would risk holding an illiquid stub-bond pro forma without protective covenants or collateral
- Any remaining stub-bond would no longer be rated and would likely see a notable drop in secondary trading value
- Dealers would likely cease making a market in any remaining stub-bond
- Any non-participating holders would be bound by the removal of the restrictive covenants but would not receive new notes or the cash payment or 350 basis point coupon increase

## Relevant Parties

- Lead Dealer Manager: 
  - Collect call: (212) 723-6106
  - Toll free: (800) 558-3745
- Exchange Agent: Global Bondholder Services
  - Banks and Brokers Call Collect: (212) 430-3774
  - All Others, Call Toll-Free: (866) 470-3700

## Relevant Documentation

- Press Releases
  - Launch Announcement
  - Early Results
  - Final Results
- Eligibility Letter
- Offering Memorandum

## Preliminary Announcement

- Bloomberg announcement via Press Release at Launch
- Documentation distribution to eligible holders only (via Eligibility Letter)

## Key Dates

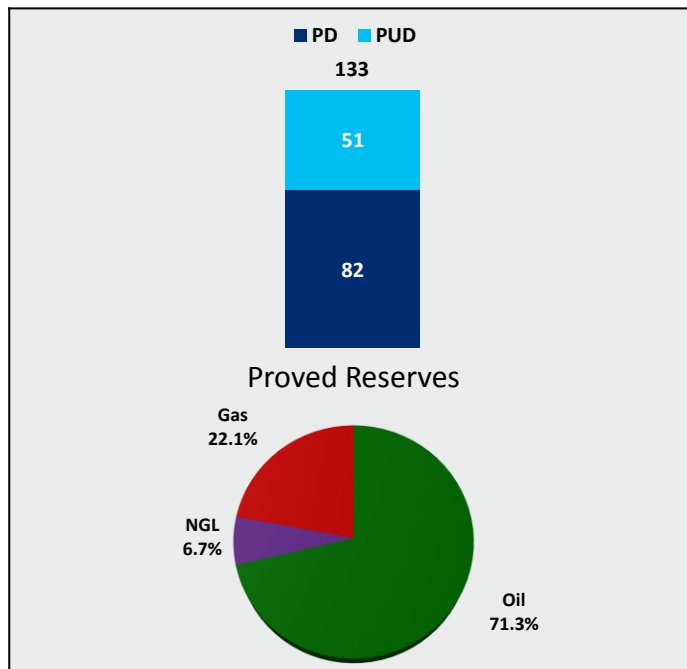
Date	Execution
Launch	Offer Commences
Day 10	Early Participation / Withdrawal Date
Day 20	Expiration Date (but extended to coincide with Merger closing date)
Final Settlement Date	Same day as Merger closing date

# Talos Pro Forma Overview

## Talos Pro Forma Overview

Proved Reserves	133 MMBoe
Proved SEC PV-10	\$2,201 MM
2017 Production	48 MBoe/d
Pro Forma 2017 EBITDA <sup>(1)</sup>	\$459 MM
Net Debt / PF 2017 EBITDA <sup>(1)(2)</sup>	1.3x

## Talos Pro Forma Reserve Profile



Sources: Talos, Stone and FactSet. Market data as of 3/20/2018.

(1) Talos Pro Forma EBITDA includes \$25 MM of transaction synergies and excludes divested Appalachia asset.

(2) Talos Pro Forma Net Debt excludes restricted cash and capital leases. Pro Forma for \$103 MM RBL paydown and \$69 MM of transaction expenses expected to be paid at close.

(3) Pro Forma for \$103 MM RBL paydown; \$69MM of transaction expenses expected to be paid at close.

(4) Enterprise Value calculated as Stone Equity Value (at \$35.70/share as of 3/20/2018) / Stone ownership (37%) + Net Debt. Net Debt excludes restricted cash and capital lease obligations.

## Pro Forma Capitalization as of 12/31/2017

(\$ in millions)	Talos Pro Forma
Cash and Cash Equivalents <sup>(3)</sup>	\$124
Restricted Cash	20
<b>Total Cash</b>	<b>\$144</b>
Reserve Based Lending Facility <sup>(3)</sup>	300
Building Loan	11
<b>Total First Lien Debt</b>	<b>\$311</b>
Second Lien Notes due 2022	397
<b>Total Debt</b>	<b>\$708</b>
<b>Net Debt<sup>(2)</sup></b>	<b>\$584</b>
<b>Enterprise Value<sup>(4)</sup></b>	<b>\$2,514</b>

### Financial Statistics:

Expected Borrowing Base	\$600
Pro Forma 2017 EBITDA <sup>(1)</sup>	\$459
Capital Lease Obligation	\$107

### Credit Statistics (excl. Capital Lease):

Net Debt / Pro Forma 2017 EBITDA <sup>(1)(2)</sup>	1.3x
Proved SEC PV-10 / Net Debt	3.8x
Net Debt / Enterprise Value	23%