

# Miclyn Express Offshore

FY14 Results Presentation – 2nd October 2014



[www.miclynexpressoffshore.com](http://www.miclynexpressoffshore.com)



# Highlights in the last 12 months

- ✓ New appointment of Mr Venkatraman Sheshashayee (“Shesh”, ex Jaya) as Deputy CEO
- ✓ Success in lifting forward orderbook and pipeline
- ✓ MEO awarded multi vessel AHTS contract by Chevron
- ✓ Chevron award includes two 85tn BP AHTS in Thailand (4+3 years), extension of strong relationship
- ✓ Multiple contract wins in Kingdom of Saudi Arabia (crewboats and security vessels)
- ✓ Entry into Brunei market with multi-vessels tender wins with Brunei Shell Petroleum and MOPS
- ✓ Continued fleet expansion program, 13 vessels purchased and 21 vessels under construction
- ✓ Growing number of contract backed capital deployment opportunities



# Business Strategy:

Grow MEO to be the provider of choice for our customers

**Continue to focus on shallow water operations, to emphasise safety reliability and operational excellence and to maintain high fleet utilisation**

## Focus on shallow water operations

- Well-positioned to benefit from shallow water offshore production growth
- Remain focused on South East Asia, Middle East and Australia, selectively enter into adjacent markets should opportunities arise

## A disciplined investment strategy

- Minimum IRR of 15% on an unleveraged basis with a payback period of not more than five years for new investments
- Low asset concentration risk: no single investment > \$25m

## Vessel renewal and fleet expansion to meet identified customer demand

- Construct or purchase young OSVs and crewboat vessels based on identified customer demand in long-term charters

## Emphasis on safety, reliability and operational excellence

- Apply operational best practices and maintain leading safety standards and procedures

## Strengthen and grow customer relationships

- Leverage relationships with core customers to cross selling opportunities



# Financial Year 2014 Results

	FY14 US\$m	Normalised <sup>1</sup> FY14 US\$m	Normalised <sup>2</sup> FY13 US\$m	Variance
Revenue	265.2	265.2	245.3	↑ 8%
Operating EBITDA	100.3	99.5	87.6	↑ 14%
EBITDA	108.3	101.0	89.2	↑ 13%
PATMI	47.4	45.9	53.8	↓ 15%

- Normalised EBITDA up 13% vs FY13
- Acquisition of 50% of Uniwise Towage (“UWT”) completed early 1H FY14
- 13 vessel purchased in FY14 in addition to 5 UWT units
- Substantial growth in core segments, OSV’s and Crewboats, justifying CAPEX strategy
- Non core segments and Tugs and Barges down vs PCP due to extraordinary DB Schenker project in FY13
- Strong utilisation for OSV’s (87%) and Crewboats (93%), but some deterioration in Tugs and Barges (56%)
- Normalised PATMI down 15% vs PCP due to higher depreciation (fleet expansion) and financing costs (privatisation funding)
- Overheads increased marginally by 7% vs PCP
- Shipyard sold in Jan-14 for US\$20m; non-core business, overhead reduction going forward
- Acquisition of remaining shares in growth business Express Offshore Solutions in 2H2014

1. Excluding the impact of one-off adjustments relating to privatisation & disposal of shipyard
2. Excluding the impact of the \$4.6m one-off Iran provision



# Segment Performance

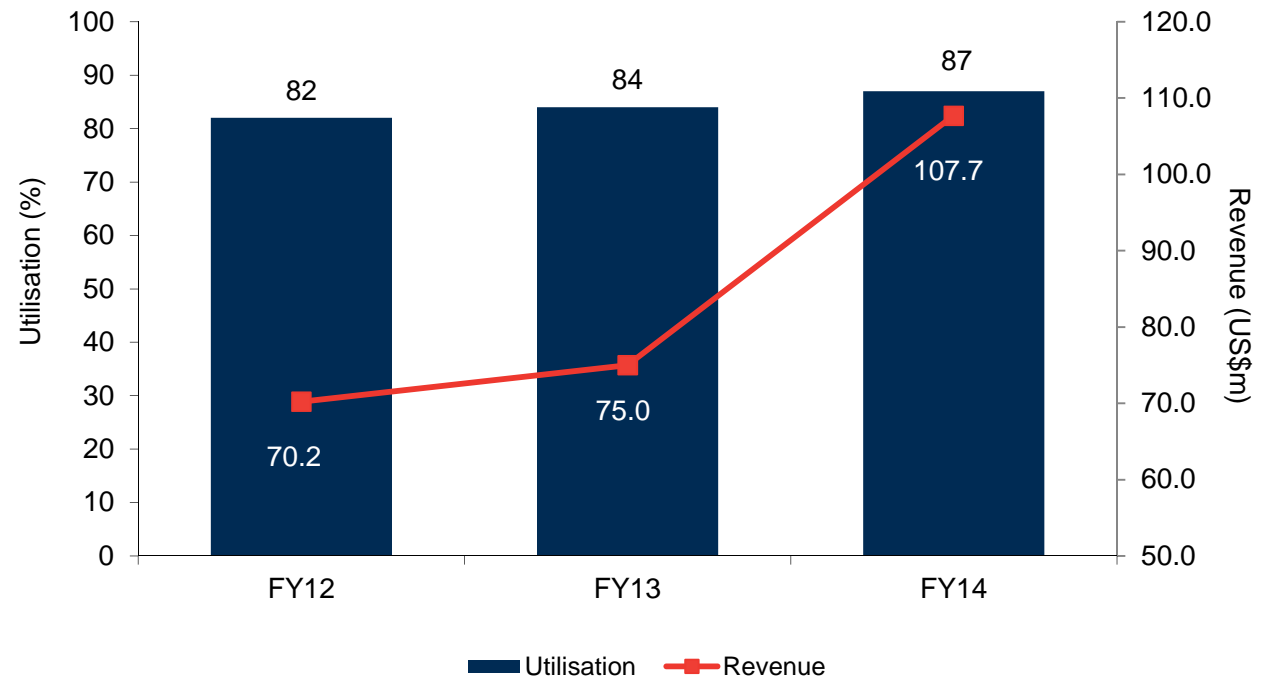
## Offshore Support Vessels (OSVs)

### Segment Highlights

- 87% utilisation in FY14
- Sovereign 1 deployed in Australia (high cost, high DCR region) marginally reducing the % gross margin of the fleet
- Acquisition of UWT, 5 vessels contributing from August'14
- 7 new vessels entering the fleet in FY15 with further purchase opportunities being explored
- Investment in 85 ton BP AHTS successful with Chevron contracting two units prior to delivery for 4+1+1 years



	FY14	FY13	Variance
Revenue (US\$m)	107.7	75.0	↑ 43.6%
Gross Profit (US\$m)	60.4	45.9	↑ 31.6%
Gross Margin (%)	56.1	61.2	



# Segment Performance

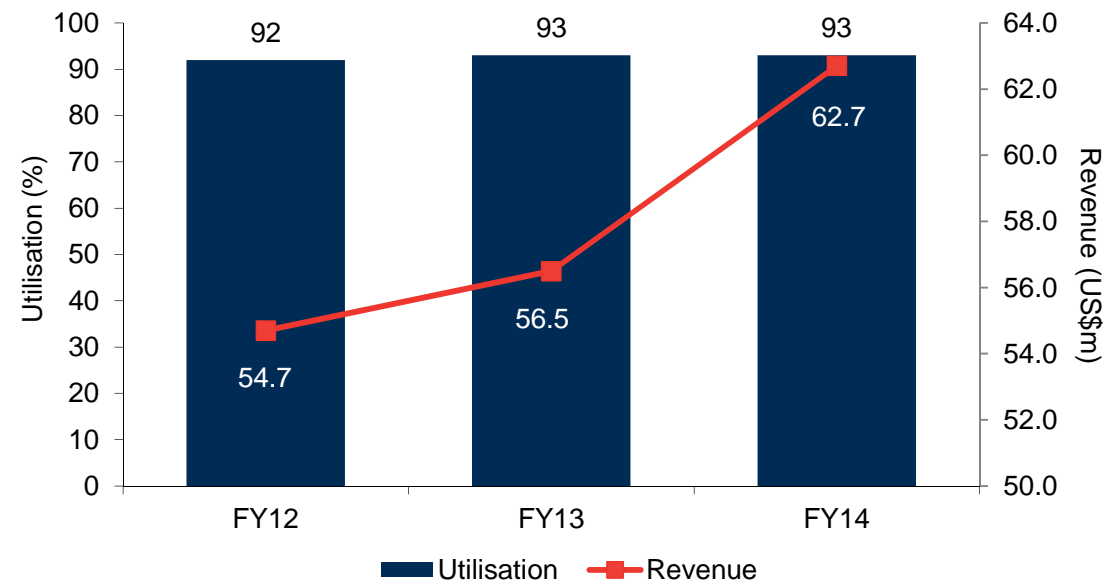
## Crew/Utility Vessels

### Segment Highlights

- 93% utilisation in FY14
- Market leader in this segment
- Margin improvement due to newer, more efficient fleet and DCR appreciation
- Multi vessel tender awards in Saudi Arabia and Brunei
- Significant demand in all core markets driving investment in additional units
- 10 new vessels entering the fleet (8 in FY15, 2 in FY16)
- Continued execution of fleet renewal strategy



	FY14	FY13	Variance
Revenue (US\$m)	62.7	56.5	↑ 11.0%
Gross Profit (US\$m)	38.4	32.9	↑ 16.7%
Gross Margin (%)	61.2	58.2	



# Segment Performance

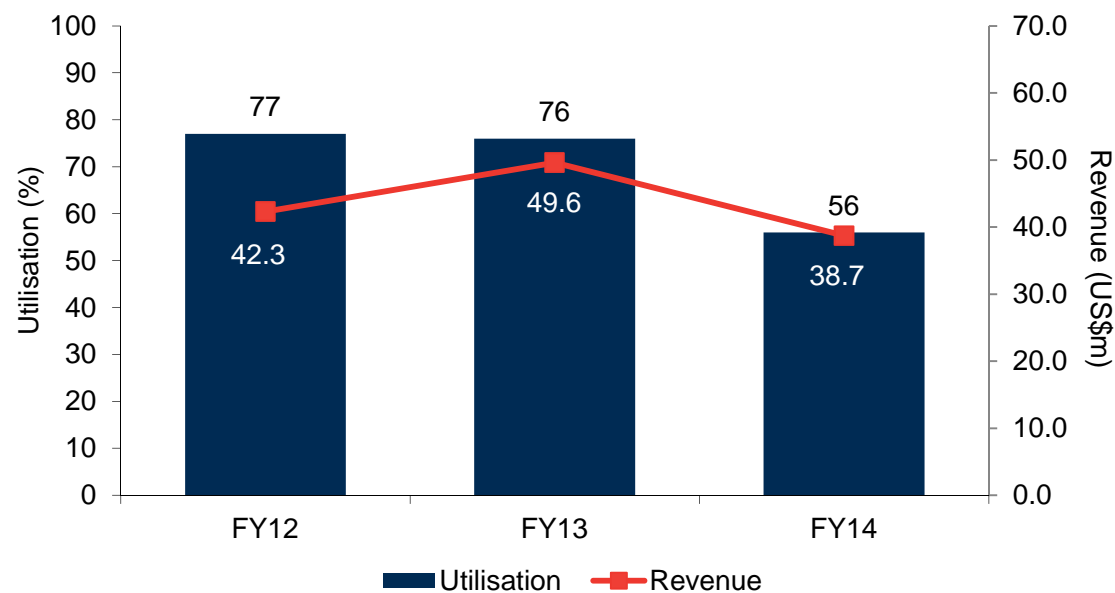
## Tugs and Barges

### Segment Highlights

- 56% utilisation in FY14
- 2 x 400 ft Ballastable Barges delivered from Shipyard in December'14
- 330 x 120 ft Barge acquired in Q2 FY14
- 4 towing rugs sold in FY14 for modest gains
- 1HFY13 particularly strong due to DB Schenker project
- New Australian projects expected to lift utilisation in FY15



	FY14	FY13	Variance
Revenue (US\$m)	38.7	49.6	↓ 22.0%
Gross Profit (US\$m)	18.7	25.5	↓ 26.7%
Gross Margin (%)	48.3	51.4	



# Segment Performance

## Express Offshore Solutions

### Segment Highlights

- MEO acquired remaining 30% shares from minority shareholders end Dec-13
- Alignment of interests of MEO and EOS management team through earn out
- Business continues to expand client base and grow earnings
- Large Australian projects (Subsea 7 and Heerema) to support continued earnings growth over the next year
- Strong pipeline of new opportunities
- Utilisation upside for MEO's Tug, Barge and OSV fleet

	FY14	FY13	Variance
Revenue (US\$m)	42.5	36.7	↑ 15.8%
Gross Profit (US\$m)	11.4	5.4	↑ 111.1%
Gross Margin (%)	26.8	14.8	





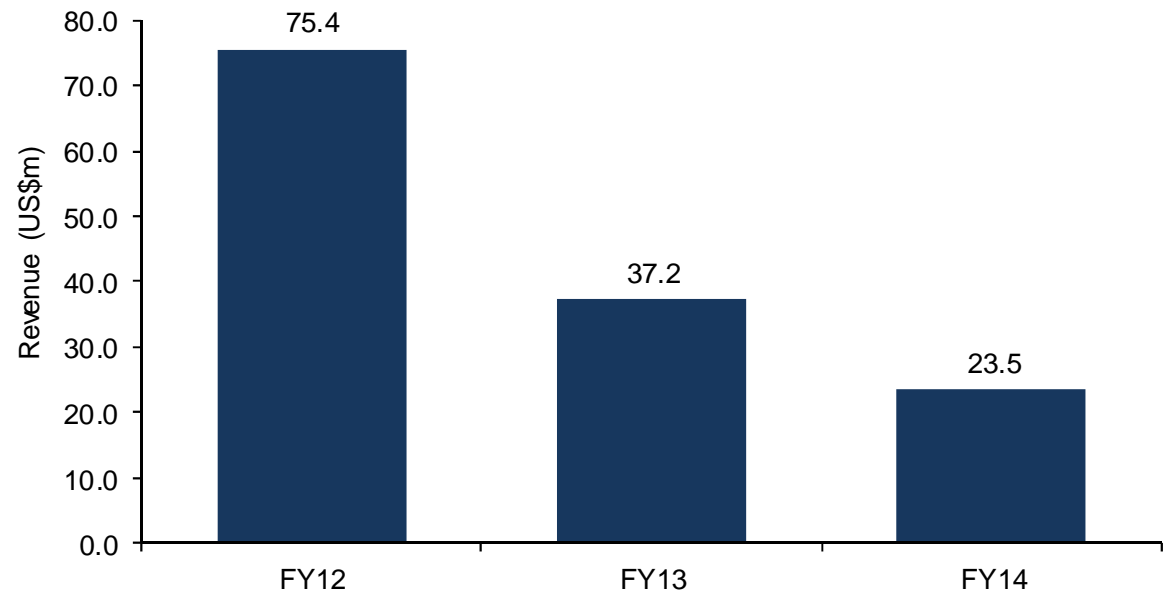
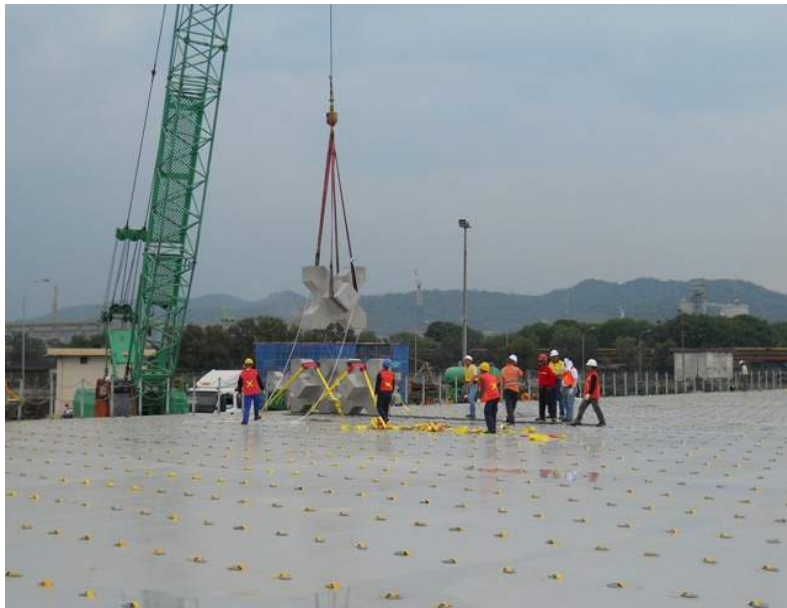
# Segment Performance

## Non Core Segments

### Segment Highlights

- Includes Ship repairs, Third Party Vessels and Coastal Survey Vessels
- Shipyard disposed to ASL in Jan-14, non-core asset
- Strong performance in non core segments in 1HFY13 driven by DB Schenker project

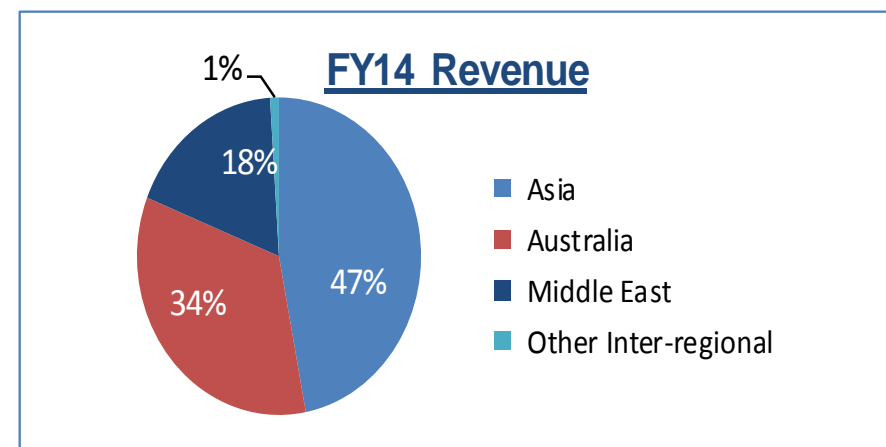
	FY14	FY13	Variance
Revenue (US\$m)	23.5	37.2	↓ 36.8%
Gross Profit (US\$m)	6.1	10.1	↓ 39.6%
Gross Margin (%)	30.0	27.2	



# Regional Update and Outlook

## Regional Update

- South-East Asia remains an important market
  - Multi vessel tender award in new region Brunei, investment in local infrastructure and resources
  - Four new AHTS contracts awarded in Thailand, several long term extensions secured
  - Expanding Malaysia business, building infrastructure
  - Continued business development in Indonesia
- Australia buoyed by Subsea 7 project (Gorgon) and Heerema project (Ichthys) running throughout FY15
- Middle East business is expanding
  - 5 crew/utility vessels awarded 5 year contracts by Saudi Aramco
  - MEO Ranger deployed into Qatar
  - New local entity in Abu Dhabi
  - Exploring JV with strong local partner in Saudi Arabia

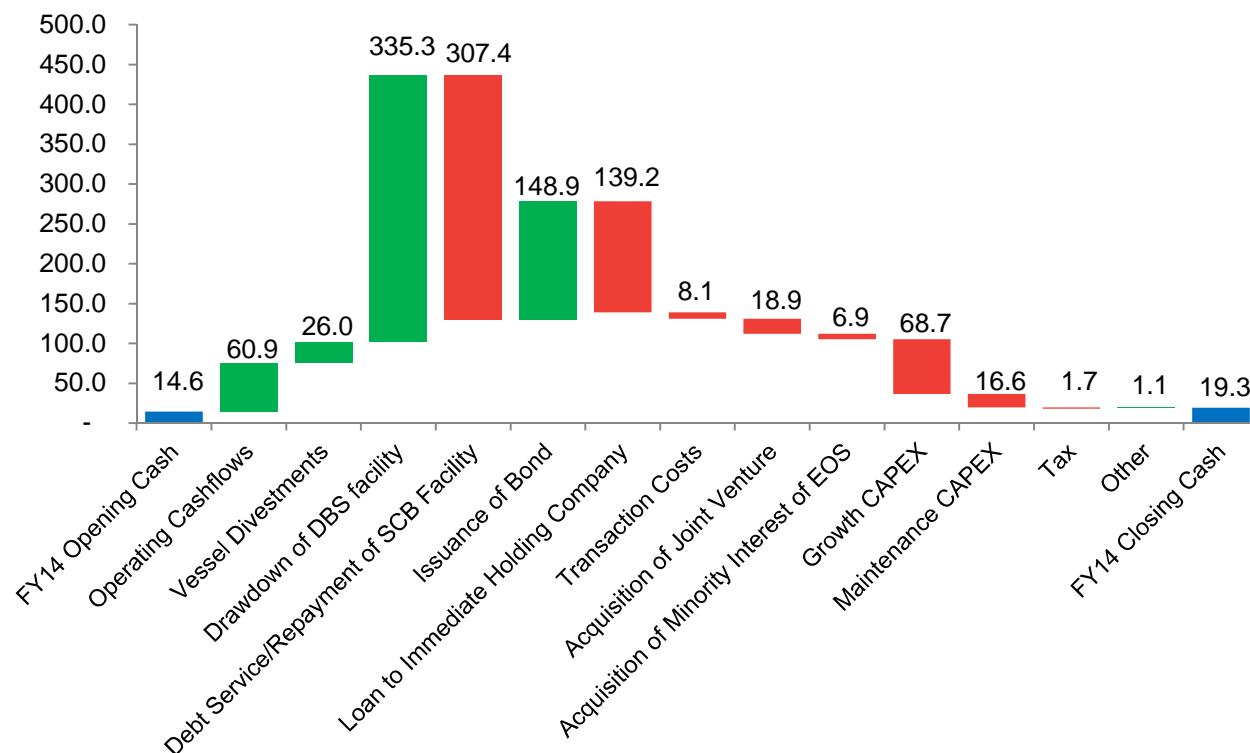


# Finance Update

## Strong cash position, ability to service new debt package and fund growth

- Loan package refinanced by DBS;
  - US\$150m Term Loan
  - US\$100m RCF
  - US\$50m CAPEX facility (undrawn)
  - US\$15m FX/BG facilities
- Minority shareholders bought out with proceeds of S\$200m bond raising
- S\$200m bond hedged to US\$ (US\$159m equivalent)
- Acquisition of Uniwise Towage for US\$18.9m
- Further investment in new vessels against disciplined investment criteria (minimum 15% unlevered IRR)
- Strong contract backlog (>US\$700m) to support future operating cashflows; ability to service debt and continue investment in new assets

	FY14	FY13
Net Debt (US\$m)	373.8	199.3
Net Debt / EBITDA	3.9 <sup>1</sup>	2.5 <sup>2</sup>
Gearing (%) <sup>3</sup>	47.3%	34.3%



<sup>1</sup> FY14 EBITDA, excluding the impact of one-off adjustments relating to privatisation and disposal of shipyard

<sup>2</sup> FY13 EBITDA, excluding the US\$4.6m Iran provision

<sup>3</sup> Net Debt / (Net Debt + Equity)

# Summary



**Clear strategy for future growth**



**Solid execution capability**



**Well positioned in a healthy industry**



**Attractive pipeline of opportunities**



**Strong balance sheet**



**Financial capacity to fund growth**



**Proven Operational Excellence**



# Appendix 1

## Statement of Financial Performance

US\$m	FY14 (Equity)	Adjustments for Equity Accounting	FY14 (Proportionate)	FY13 (Proportionate)	Variance %
<b>Revenue</b>	<b>244.5</b>	<b>20.7</b>	<b>265.2</b>	<b>245.3</b>	8%
Operating Costs	(124.5)	(5.7)	(130.2)	(125.7)	(4%)
<b>Gross Profit</b>	<b>120.0</b>	<b>15.0</b>	<b>135.0</b>	<b>119.7</b>	<b>13%</b>
<i>GP Margin</i>	<i>49.1%</i>		<i>50.9%</i>	<i>48.8%</i>	
Other Income	1.1	-	1.1	2.0	(45%)
Overheads	(35.4)	(1.8)	(37.2)	(32.6)	(14%)
Forex	1.4	-	1.4	(1.4)	200%
One-Off Iran Provision	-	-	-	(4.5)	NM
<b>Operating Earnings</b>	<b>87.1</b>	<b>13.2</b>	<b>100.3</b>	<b>83.1</b>	<b>21%</b>
Gain on disposal of vessels	8.0	-	8.0	1.5	433%
<b>EBITDA</b>	<b>95.1</b>	<b>13.2</b>	<b>108.3</b>	<b>84.7</b>	<b>28%</b>
<i>EBITDA Margin</i>	<i>38.9%</i>		<i>40.8%</i>	<i>34.5%</i>	
Depreciation & Amortisation	(27.2)	(3.4)	(30.6)	(24.6)	(24%)
<b>EBIT</b>	<b>67.9</b>	<b>9.8</b>	<b>77.7</b>	<b>60.0</b>	<b>30%</b>
Net Finance Costs	(22.4)	(0.4)	(22.8)	(9.6)	(138%)
Share of profit from joint ventures	9.4	(9.4)	-	-	NM
<b>PBT</b>	<b>54.9</b>	<b>-</b>	<b>54.9</b>	<b>50.4</b>	<b>9%</b>
Income Tax Expense	(5.5)	(0.3)	(5.8)	(2.9)	(100%)
Income Tax Expense Rate	10.0%		10.6%	5.8%	
<b>PAT</b>	<b>49.4</b>	<b>(0.3)</b>	<b>49.1</b>	<b>47.5</b>	<b>3%</b>
Minority Interest	(1.6)	(0.1)	(1.7)	(1.0)	(70%)
<b>PATMI</b>	<b>47.8</b>	<b>(0.4)</b>	<b>47.4</b>	<b>46.5</b>	<b>2%</b>
<i>PATMI Margin</i>	<i>19.6%</i>		<i>17.9%</i>	<i>18.9%</i>	

# Appendix 2

## Segments

	FY14 Revenue	FY14 Gross Profit
OSVs	107.7	60.4
Crew/Utility Vessels	62.7	38.4
Tugs and Barges	38.7	18.7
Coastal Survey Vessels	2.1	0.2
Third Party Vessels	21.1	5.3
Others	0.3	0.6
EOS	42.5	11.4
EOS Elimination <sup>1</sup>	(9.9)	-
<b>Total</b>	<b>265.2</b>	<b>135.0</b>

1. Elimination for intercompany charter of vessels from MEO to EOS

# Appendix 3

## Statement of Financial Position

(US\$'000)	As at 30 Jun 2014 (Equity)	Adjustments for Equity Accounting	As at 30 Jun 2014 (Proportionate)	As at 30 Jun 2013 (Proportionate)
<b><u>Current assets</u></b>				
Cash and cash equivalents	19.3	4.2	23.5	17.1
Trade receivables	94.1	4.1	98.2	75.0
Other receivables and prepayments	10.3	2.4	12.7	11.4
Loan to immediate holding company	139.2	-	139.2	-
Inventories	7.4	0.4	7.8	6.0
Assets classified as held for sale	-	-	-	1.8
<b>Total current assets</b>	<b>270.3</b>	<b>11.1</b>	<b>281.4</b>	<b>111.2</b>
<b><u>Non-current assets</u></b>				
Property, plant and equipment	490.0	62.8	552.8	499.0
Investment in joint ventures	61.3	(61.3)	-	-
Other intangible assets	0.6	-	0.6	3.0
Deferred tax assets	0.5	-	0.5	0.4
Goodwill	60.0	0.8	60.8	59.2
Derivative financial instruments	2.3	-	2.3	-
<b>Total non-current assets</b>	<b>614.7</b>	<b>2.3</b>	<b>617.0</b>	<b>561.8</b>
<b>TOTAL ASSETS</b>	<b>885.0</b>	<b>13.4</b>	<b>898.4</b>	<b>673.0</b>
<b><u>Current liabilities</u></b>				
Trade and other payables	62.8	-	62.8	50.1
Current tax payable	4.0	0.1	4.1	1.7
Borrowings	13.5	5.8	19.3	23.1
Other liabilities	0.3	-	0.3	0.3
<b>Total current liabilities</b>	<b>80.6</b>	<b>5.9</b>	<b>86.5</b>	<b>75.2</b>
<b><u>Non-current liabilities</u></b>				
Borrowings	228.4	8.9	237.3	213.5
Senior secured guaranteed bonds	151.2	-	151.2	-
Other non-current liabilities	0.6	-	0.6	0.9
<b>Total non-current liabilities</b>	<b>380.2</b>	<b>8.9</b>	<b>389.1</b>	<b>214.4</b>
<b>TOTAL LIABILITIES</b>	<b>460.8</b>	<b>14.8</b>	<b>475.6</b>	<b>289.6</b>
<b>NET ASSETS</b>	<b>424.2</b>	<b>(1.4)</b>	<b>422.8</b>	<b>383.4</b>
<b><u>Shareholders equity</u></b>				
Share capital	-	-	-	190.4
Other equity reserves	142.7	(10.1)	132.6	(42.7)
Translation reserve	(6.4)	1.5	(4.9)	(4.1)
Retained earnings	287.6	7.2	294.8	238.3
Minority interests	0.3	-	0.3	1.5
<b>TOTAL EQUITY</b>	<b>424.2</b>	<b>(1.4)</b>	<b>422.8</b>	<b>383.4</b>

# Appendix 4

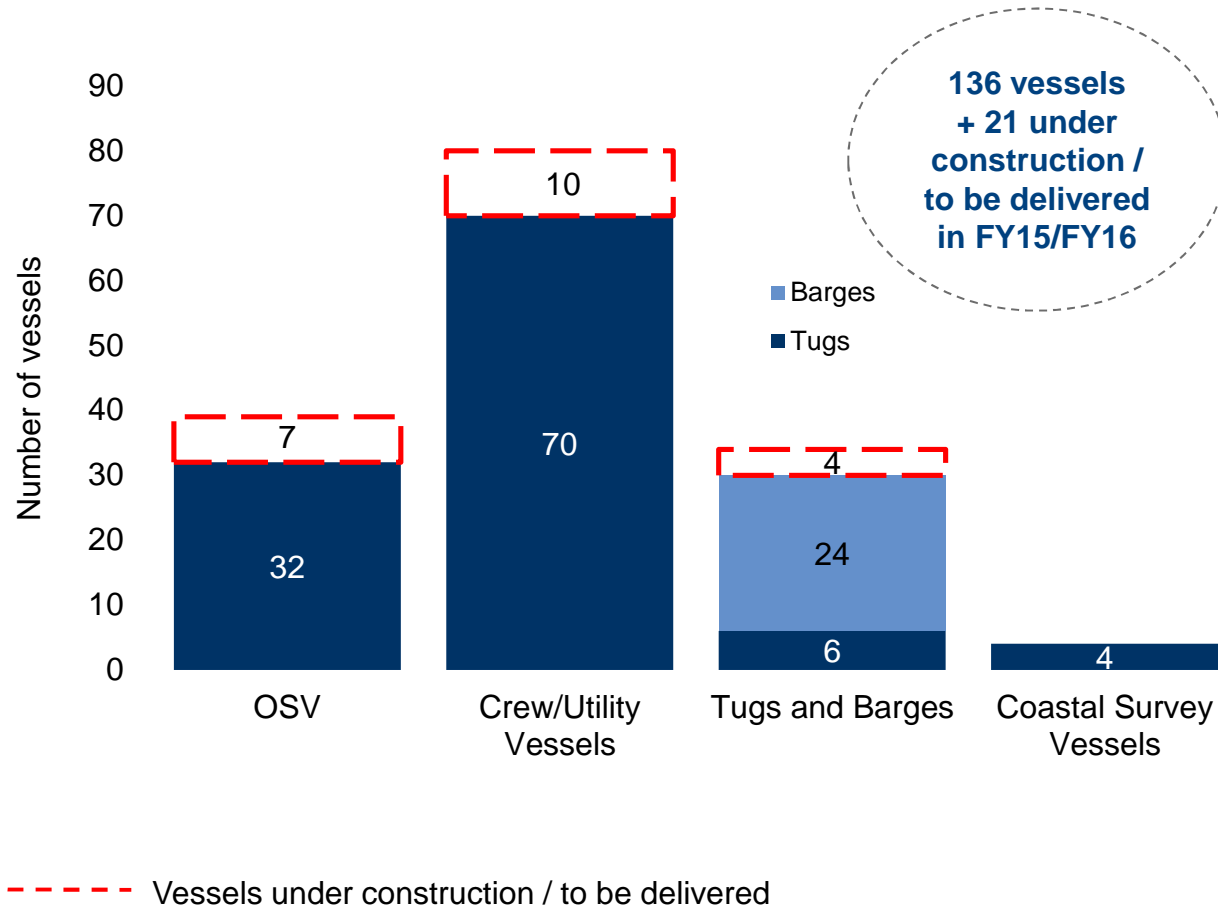
## Cash Flow Statement

US\$m	FY14 (Equity)	FY13 (Equity)
<b>EBIT</b>	<b>67.9</b>	<b>53.4</b>
Depreciation and amortisation	27.2	22.6
<b>EBITDA</b>	<b>95.1</b>	<b>76.0</b>
Vessel disposal gains	(7.6)	(1.5)
Non-cash and other items	1.2	5.6
Working capital movement	(14.6)	(9.1)
<b>Cash flows available from operations</b>	<b>74.1</b>	<b>71.0</b>
Proceeds from sale of property, plant and equipment (including vessels)	26.0	6.5
Capital expenditure - growth	(68.7)	(73.4)
Capital expenditure - maintainance	(16.6)	(12.6)
Loan to immediate holding company	(139.2)	-
Acquisition of investment in joint venture	(18.9)	-
Acquisition of minority interest	(6.9)	-
Other investing activities	(0.2)	-
<b>Cash flows before financing and tax</b>	<b>(150.4)</b>	<b>(8.5)</b>
Financing	(19.0)	(17.4)
Debt repayment	(307.4)	(292.1)
Debt drawdown	484.2	324.2
Other financing activities	(1.2)	-
Tax	(1.7)	(6.0)
<b>Cash flows after financing and tax</b>	<b>4.5</b>	<b>0.2</b>



# Appendix 5

Fleet Composition as at 30 June 2014<sup>1</sup>



1. Excludes Third Party Vessels

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