

NEWS RELEASE

Nam Cheong concludes FY2019 with a 112% year-on-year surge in vessel chartering revenue

- The surge in vessel chartering revenue from RM134.5 million in FY2018 to RM285.4 million in FY2019 was mainly driven by expanded fleet size
- Gross profit increased by 12.4% year-on-year (“YoY”) to RM91.4 million in FY2019, with significant improvement in gross profit margin (“GPM”) for vessel chartering segment from 22.3% in FY2018 to 32.0% in FY2019
- The Group reported a lower net profit for FY2019 at RM64.8 million, mainly due to the absence of the extinguishment of debts and the lower amount of waiver of debt recorded in FY2018 arising from debt restructuring
- While expecting vessel chartering segment to contribute stable streams of revenue, the Group will continue to explore Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) projects

Singapore, 28 February 2020 – Nam Cheong Limited (“Nam Cheong” or the “Group”), one of Malaysia’s largest Offshore Support Vessel (OSV) providers, today announced its financial results for the three months (“4Q2019”) and full year (“FY2019”) ended 31 December 2019.

Financial Highlights	4Q2019 (RM'000)	4Q2018 (RM'000)	Change (%)	FY2019 (RM'000)	FY2018 (RM'000)	Change (%)
Revenue	89,013	99,439	(10)	285,362	329,862	(13)
Gross Profit	29,908	37,719	(21)	91,356	81,258	12
Gross Margin	33.6%	37.9%	(4.3ppt)	32.0%	24.6%	7.4ppt
Other Income	3,515	108,449	(97)	76,093	1,074,141	(93)
Selling and Administrative Expenses	(11,783)	(9,474)	24	(39,354)	(32,022)	23
Operating Profit	9,607	95,415	(90)	111,275	1,073,424	(90)
Finance Costs	(9,933)	(5,792)	71	(41,099)	(25,803)	59
Profit for the period	373	83,073	(100)	64,784	1,036,657	(94)
Net Profit attributable to owners of the parent (PATMI)	343	79,729	(100)	63,919	1,032,956	(94)

N.M = not meaningful
Ppt = percentage points

Due to the absence of shipbuilding revenue in FY2019, the Group’s revenue decreased by 13.0% YoY to RM285.4 million in FY2019. However, the Group’s revenue from vessel chartering surged by 112.0% YoY from RM134.5 million in FY2018 to RM285.4 million in FY2019. This was mainly attributable to the expanded fleet size. Two more vessels were added in during the quarter, bringing fleet size to 36 vessels in FY2019 as compared to 28 vessels in FY2018.

Despite the drop in revenue, gross profit increased by 12.4% YoY to RM91.4 million in FY2019 with the GPM increasing from 24.6% in FY2018 to 32.0% in FY2019, owing to the significant improvement of GPM for vessel chartering segment from 22.3% in FY2018 to 32.0% in FY2019.

Other Income was lower at RM76.1 million in FY2019, as compared to RM1.1 billion in FY2018. This was mainly due to the absence of the extinguishment of debt of RM348.4 million and the lower waiver of debts of RM 57.0 million in FY2019, as compared to RM632.9 million in FY2018.

In line with higher vessel chartering revenue and activities, selling and administrative expenses climbed by RM7.3 million or 22.9% to RM39.4 million in FY2019.

Accordingly, the Group posted a lower operating profit of RM111.3 million in FY2019, compared to RM1.1 billion in FY2018. (FY2018: Debt forgiveness amounted to RM632.9 million and extinguishment of debt of RM348.4 million) Excluding the extinguishment of debts, waiver of debts and foreign exchange differences in both years, the Group delivered a higher operating profit of RM64.5 million in FY2019 (FY2018: RM48.5 million)

Finance costs stood at RM41.1 million in FY2019 as compared to RM25.8 million, mainly due to the increase in finance cost related to vessel financing to support the expanded fleet size in FY2019.

Due to the factors discussed above, the Group reported net profit attributable to the owners of the parent of RM17.2 million in FY2019 as compared to RM8.0 million in FY2018. (Excluding extinguishment of debts, waiver of debts and foreign exchange differences in both years)

Commenting on the Group's FY2019 results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong** said, *"It is encouraging to see that we concluded the financial year with a set of positive results, contributed by the growing vessel chartering segment. While we continue to upgrade our vessel chartering capabilities and secure more orders from customers, we will also explore the opportunities in the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) and related segments."*

Outlook

According to Petronas Activity Outlook 2020-2022, the cyclical upward trend is expected to continue in the Malaysia's oil and gas sector. With the favourable oil price outlook encouraging continuous spending in oil and gas exploration and production, oil and gas services providers including drilling, fabrication and vessel are set to benefit from the increasing offshore activities.¹

Meanwhile, Maintenance, Construction, and Modification (MCM) activities are projected to remain steady and the Brownfield Hook-up & Commissioning (HUC) activities are expected to grow², thereby supporting the Group's revenue stream from the chartering of accommodation and maintenance vessels.

In response to the upbeat offshore and marine activities in Malaysia, the Group has been deploying its vessels for charter in Malaysian waters, and expects the vessel chartering unit to continue its growth momentum. The Group will continue to monitor and review the shipbuilding schedule for the remaining vessels which have yet to be delivered, including potential deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

- End -

¹ <https://www.theedgemarkets.com/article/positive-outlook-firms-drilling-fabrication-and-vessel-provision-going-2020-midf-research>

² Petronas Activities Outlook 2020 – 2022



140 Paya Lebar Road, #07-02 AZ@Paya Lebar Singapore 409015. Tel: (65) 6578 6780| Fax: (65) 6316 5301 Website: www.namcheong.com.my

ABOUT NAM CHEONG LIMITED (BLOOMBERG TICKER NCL: SP)

Headquartered in Kuala Lumpur, Malaysia, Nam Cheong Limited (“Nam Cheong” or the “Group”) is a global offshore marine group specialising in the building and chartering of OSVs. Since its humble beginnings in 1968 building only fishing vessels, the Group is now Malaysia’s largest OSV builder, owning and operating one of the largest shipbuilding yards for OSVs in Malaysia.

The Group focuses on OSV chartering, as well as the construction and engineering of sophisticated, environmentally friendly and quality OSVs that are equipped with the latest technology for use in the offshore oil and gas exploration and production (“E&P”) and oil services industries, with customers hailing from Malaysia, Southeast Asia, Middle East, West Africa, Latin America, Europe, and the United States. The Group has delivered over 140 vessels since 2007, which include anchor handling towing supply (“AHTS”) vessels, platform supply vessels (“PSVs”), accommodation work boats and accommodation work barges.

Beyond building some of the most sophisticated OSVs, Nam Cheong is expanding its vessel chartering operations, which has grown to make up majority of FY2019’s revenue base. The Group currently has a chartering fleet of over 30 vessels. Nam Cheong was successfully listed on SGX-ST on May 27, 2011.

Issued for and on behalf of Nam Cheong Ltd. by **Financial PR**

For more information, please contact:

Romil SINGH / Ralph Chen Qihang / Robin Moh

romil@financialpr.com.sg / qihang@financialpr.com.sg / robin@financialpr.com.sg

Tel: (65) 6438 2990, Fax: (65) 6438 0064