

PACC Offshore Services Holdings Ltd.

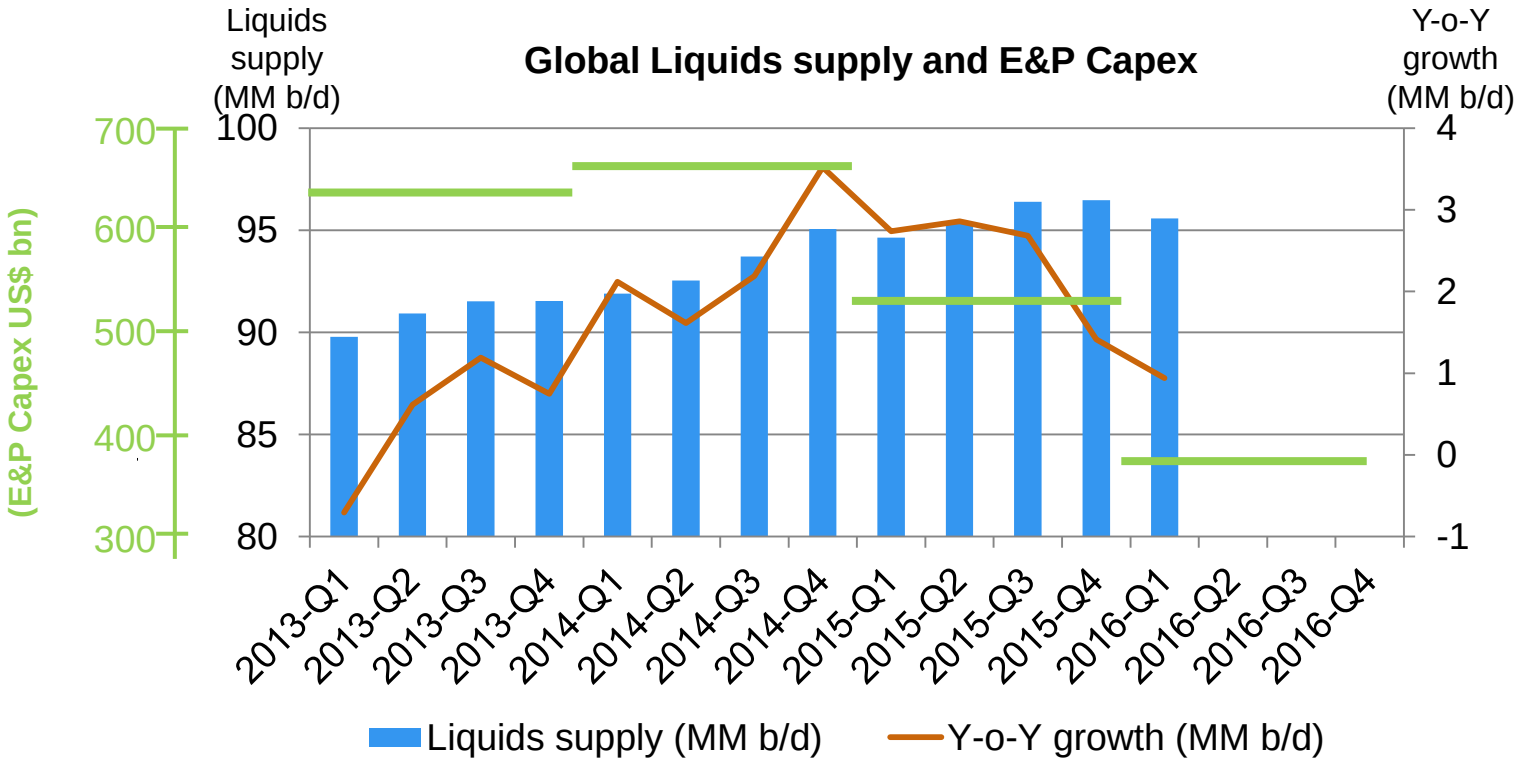
Results Presentation
Q2 & 1H FY16 Results
2 August 2016

Agenda

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Industry outlook

- Industry outlook remains challenging as global E&P capital expenditure continues to fall
- Five oil majors have reduced their capital expenditure to US$117-129bn[1] in 2016



Source: EIA, Schlumberger, June 2016

Note 1: Morgan Stanley, July 2016

Key 1H Highlights

- Extension of contract for SSAV POSH Xanadu
- Secured contract for SSAV POSH Arcadia for Shell Prelude floating liquefied natural gas ("FLNG") facility
- Secured long term charters for 13 vessels in the Middle East with contract value of US$252.5 million
- EBITDA of US$27.0 million in 1H FY16, a decline of 32% from US$39.8 million recorded in 1H FY15, generated net cash from operating activities of US$30.6 million
- Loss in Q2 and 1H FY16 due to lower utilisation and charter rates, and higher allowance for doubtful debts
- Maintain strong financial position with Net Debt/Equity of 0.57x

FINANCIAL HIGHLIGHTS



Group Financial Highlights

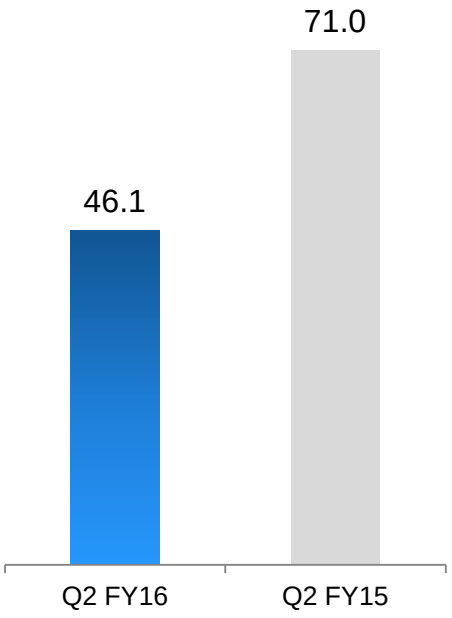
SUMMARY

US$'M	Q2 FY16	Q2 FY15	Change (%)	1H FY16	1H FY15	Change (%)
Revenue	46.1	71.0	-35	104.8	128.6	-19
Gross Profit	1.8	14.5	-87	15.9	22.5	-29
Other Income	1.2	1.9	-36	3.0	5.3	-43
Share of JV Results	(3.1)	3.3	NM	1.7	2.0	-12
Net (Loss)/Profit After Tax attributable to shareholders	(17.5)	6.1	NM	(13.2)	6.1	NM
EBITDA	2.9	24.3	-88	27.0	39.8	-32

Group Financial Highlights – Q2 FY16

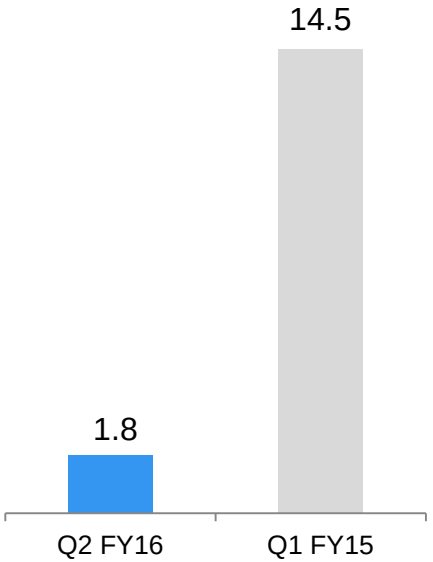
Gross Revenue (US$'M)

YoY -$24.9M (-35%)



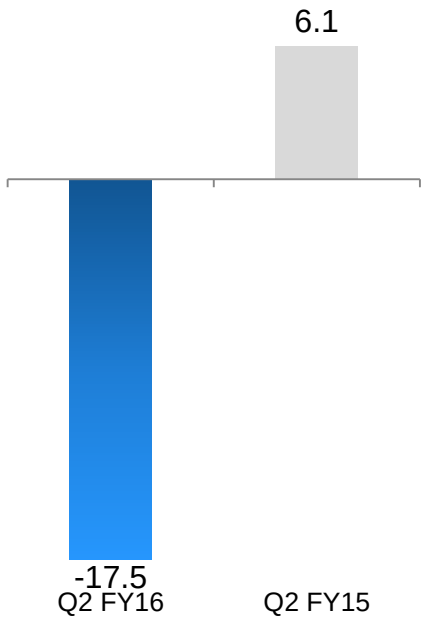
Gross Profit (US$'M)

YoY -$12.7M (-87%)



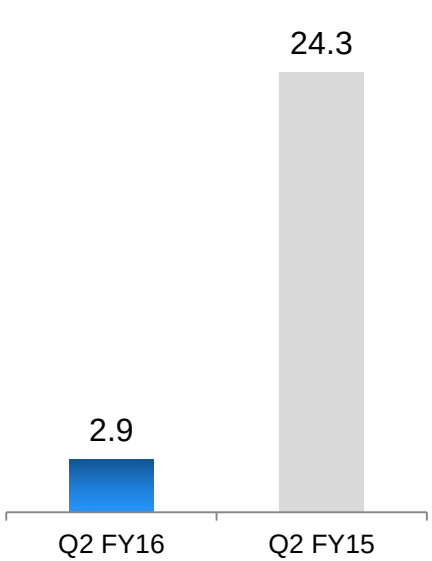
(NLAT)/NPAT[1] (US$'M)

YoY -$23.6M (NM)



EBITDA (US$'M)

YoY -$21.4M (-88%)



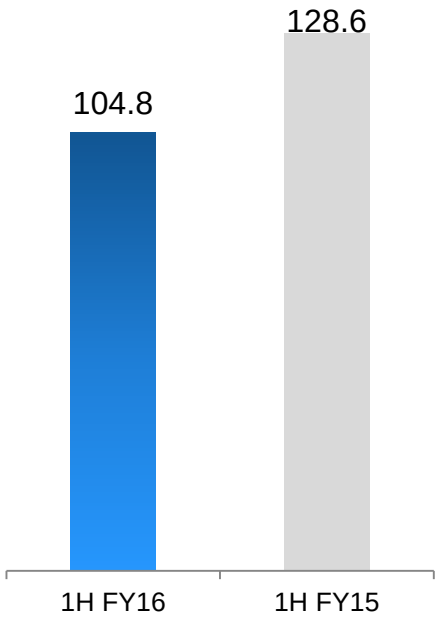
- Gross revenue decreased mainly due to lower rates and utilisation from OSV, OA and T&I business segments. Day rates were 20%-30% against 2Q15 due to renegotiation of rates by charters for existing contracts and lower rates for new contracts.
- Decreased utilisation arising from early termination of contracts due to non payment of charter and project delays
- Net loss was mainly due to lower operating profit, lower contribution from JVs, higher finance cost and additional allowance for doubtful debts

Note 1: Net (Loss)/Profit After Tax attributable to shareholders

Group Financial Highlights – 1H FY16

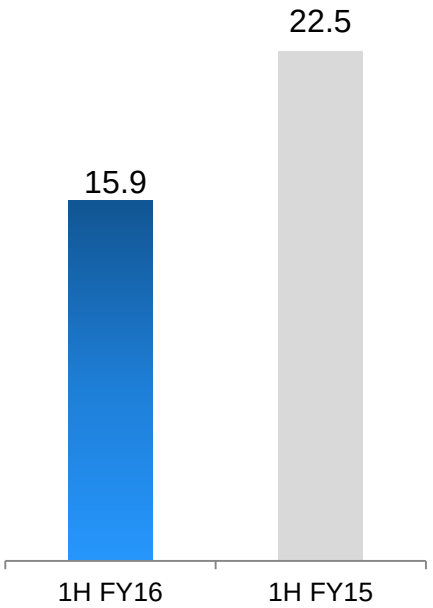
Gross Revenue (US$'M)

YoY -$23.8M (-19%)



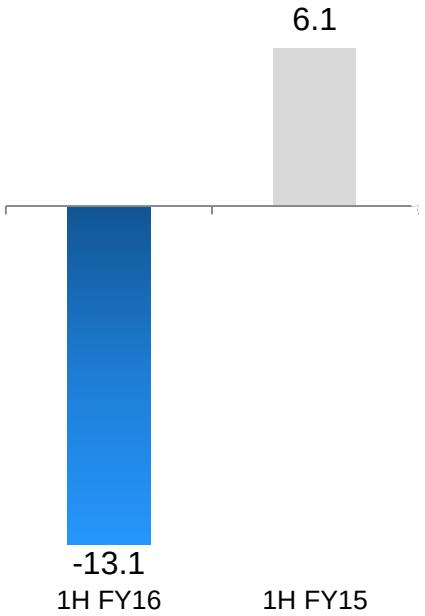
Gross Profit (US$'M)

YoY -$6.6M (-29%)



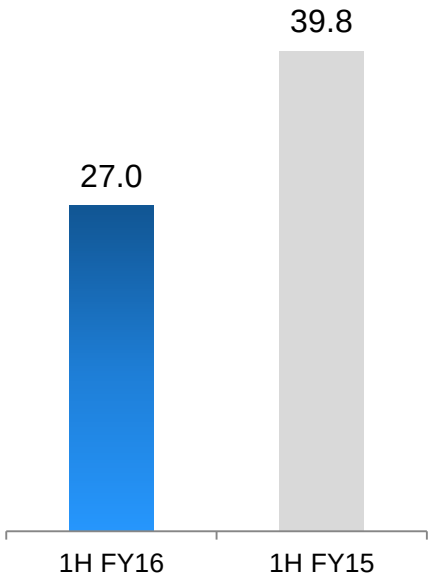
(NLAT)/NPAT[1] (US$'M)

YoY -$19.2M (NM)



EBITDA (US$'M)

YoY -$12.8M (-32%)

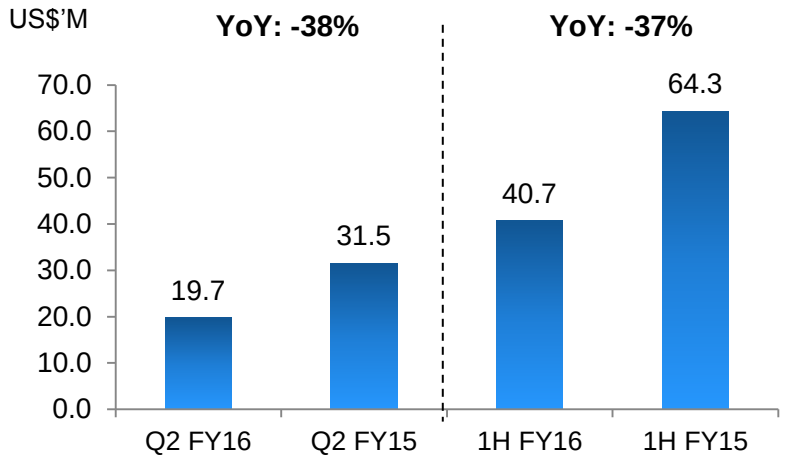


- Revenue decreased mainly due to lower charter rates and utilisation in other segments that was off-set by contribution from the OA segment; consequently gross profit decreased
- Net loss due to lower operating profit, higher allowance for doubtful debt that is partly offset by lower operating cost

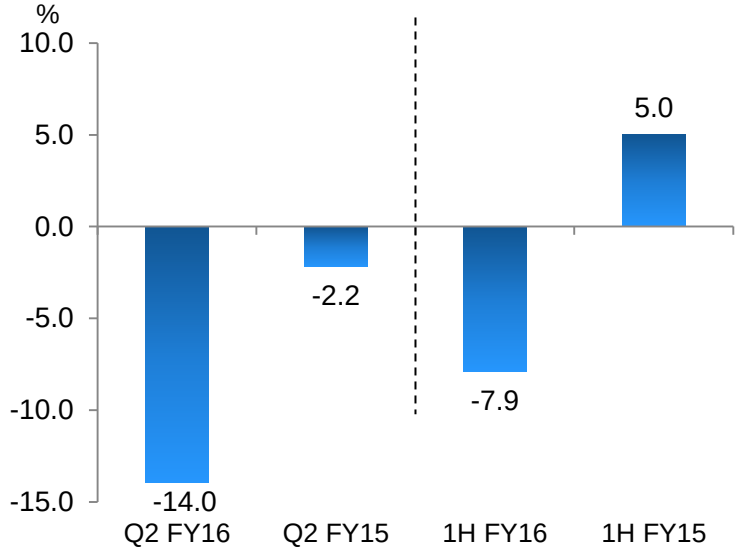
Note 1: Net (Loss)/Profit After Tax attributable to shareholders

Financial Highlights - OSV

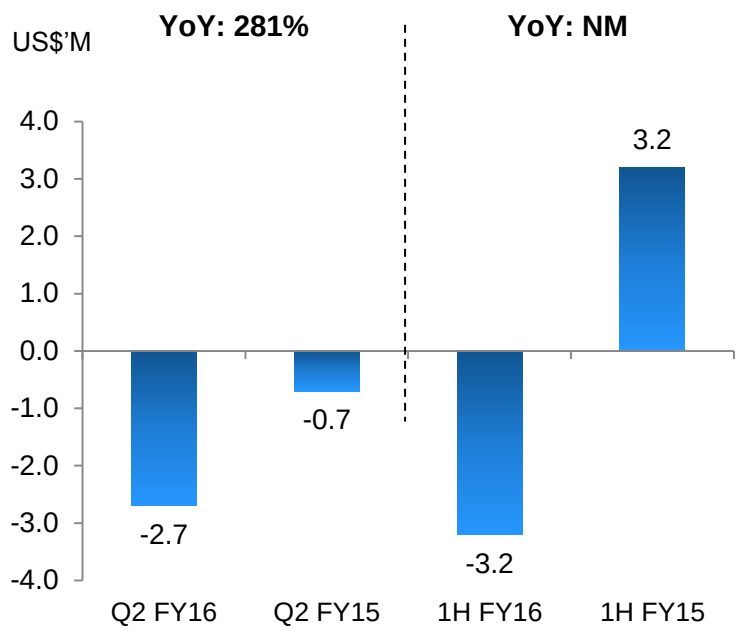
Revenue



Gross (Loss)/Profit Margin



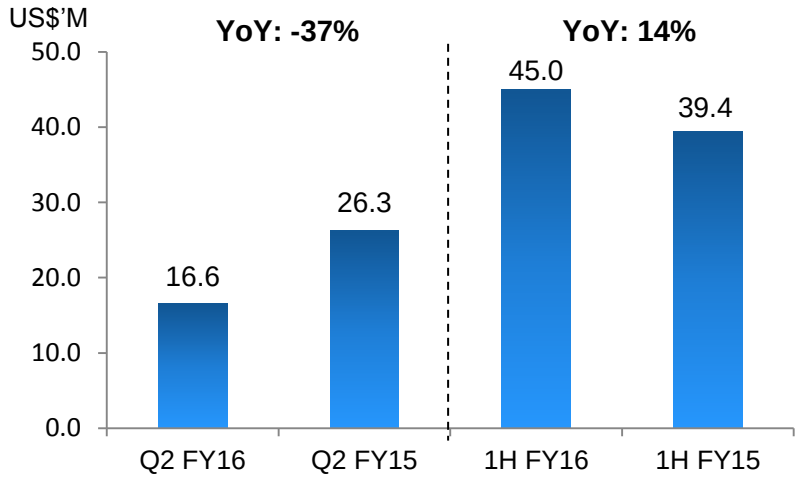
Gross (Loss)/Profit



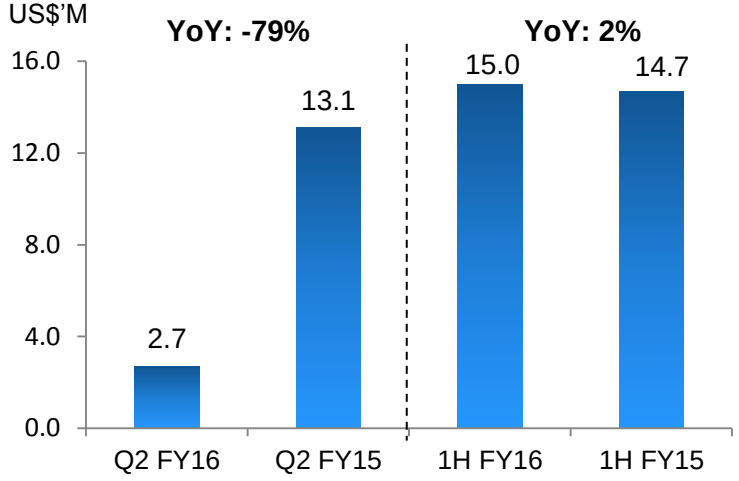
- Revenue declined due to lower charter rates and utilisation levels
- Lower rates arose from discounts on rates previously contracted and reduced rates of new contracts; with lower utilisation levels from project delays
- Utilisation rate was 58% in Q2 FY16 compared to 65% in Q2 FY15

Financial Highlights - OA

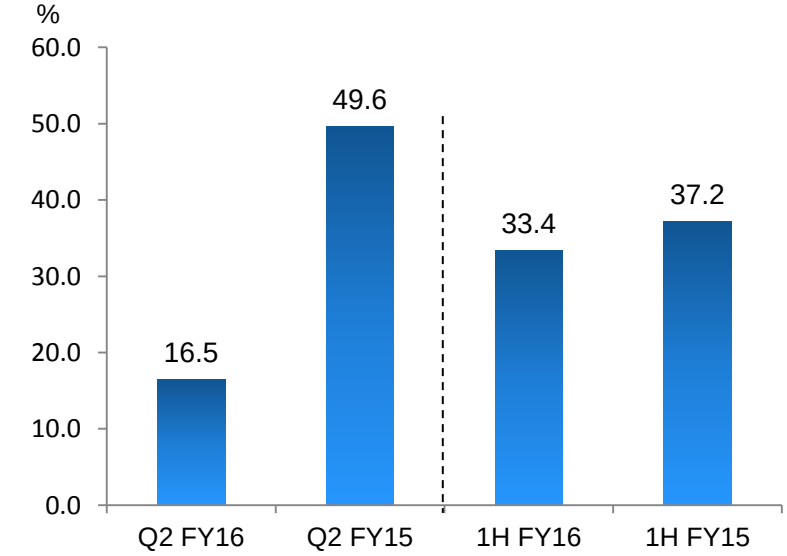
Revenue



Gross Profit



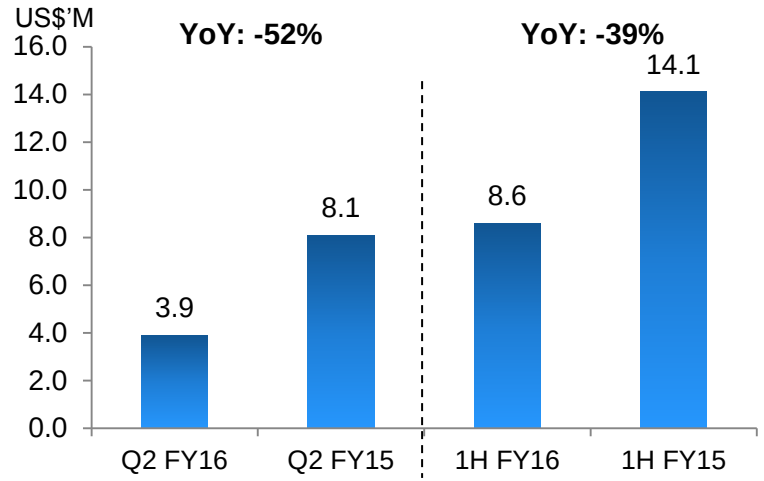
Gross Profit Margin



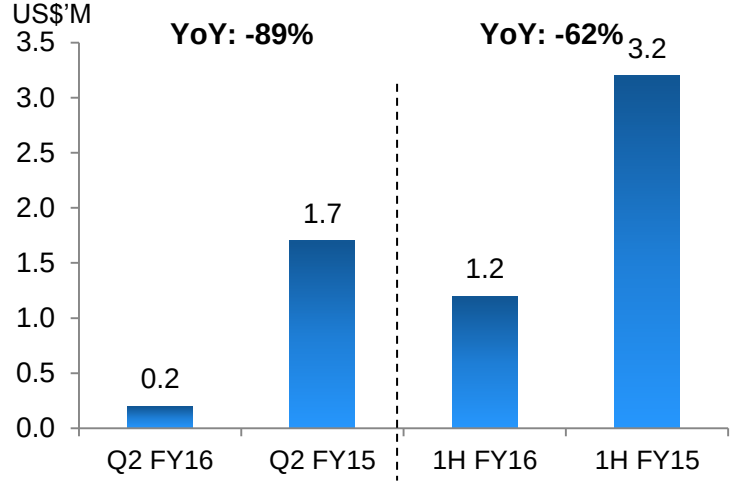
- Revenue declined due to lower charter hire for POSH Xanadu on contract extension and the early termination of 2 contracts due to non payment of charter
- Gross profit was lower due to higher depreciation charges incurred in Q2 FY16
- Utilisation rate was 41% in Q2 FY16 compared to 69% in Q2 FY15

Financial Highlights – T&I

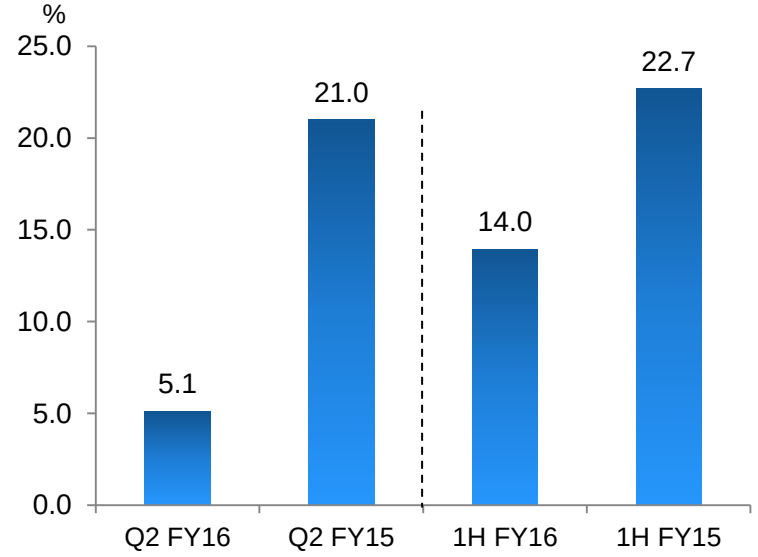
Revenue



Gross Profit



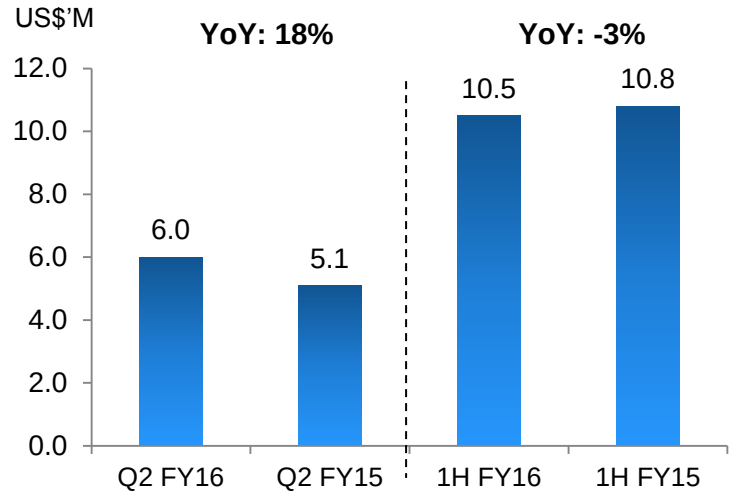
Gross Profit Margin



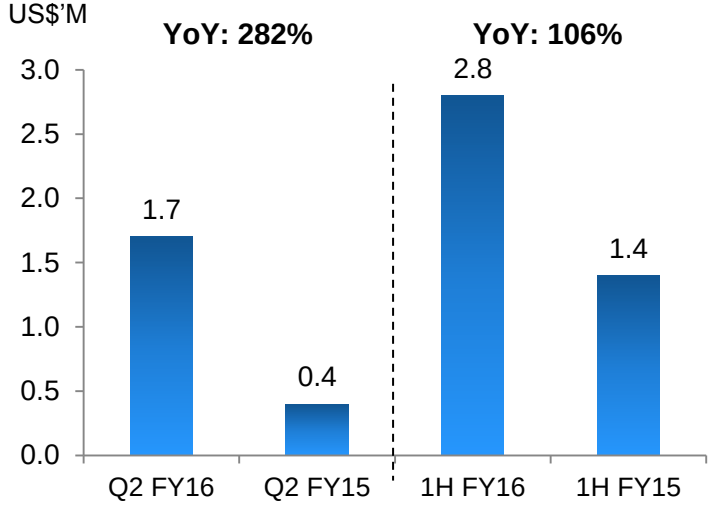
- Revenue declined due to lower utilisation levels from reduced capital expenditure and the cancellation of projects by oil companies
- Utilisation rate was 35% in Q2 FY16 compared to 73% in Q2 FY15

Financial Highlights – HSER

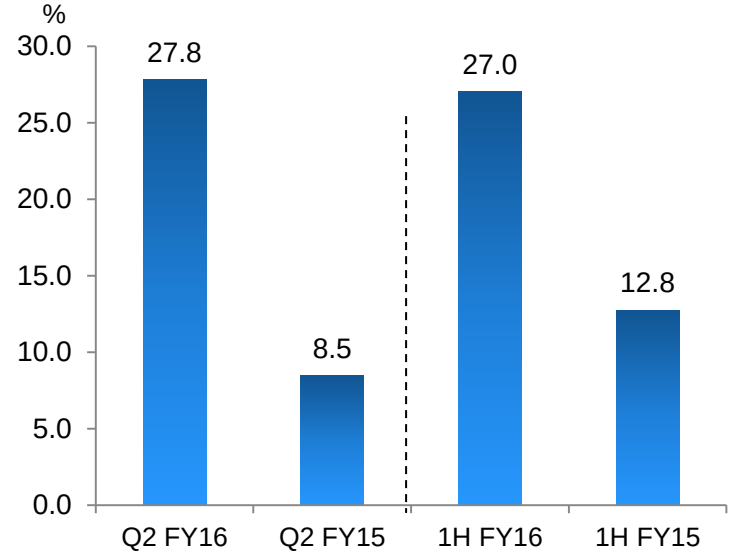
Revenue



Gross Profit



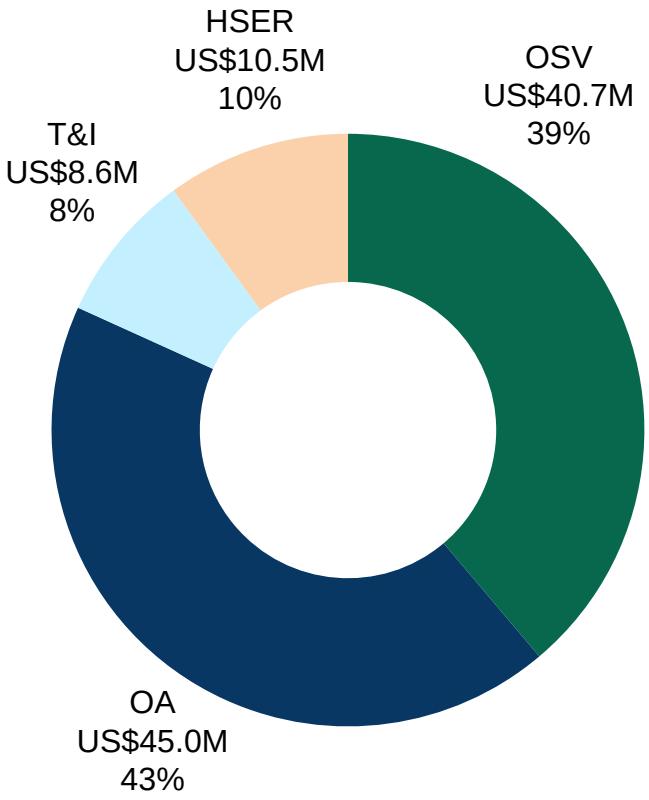
Gross Profit Margin



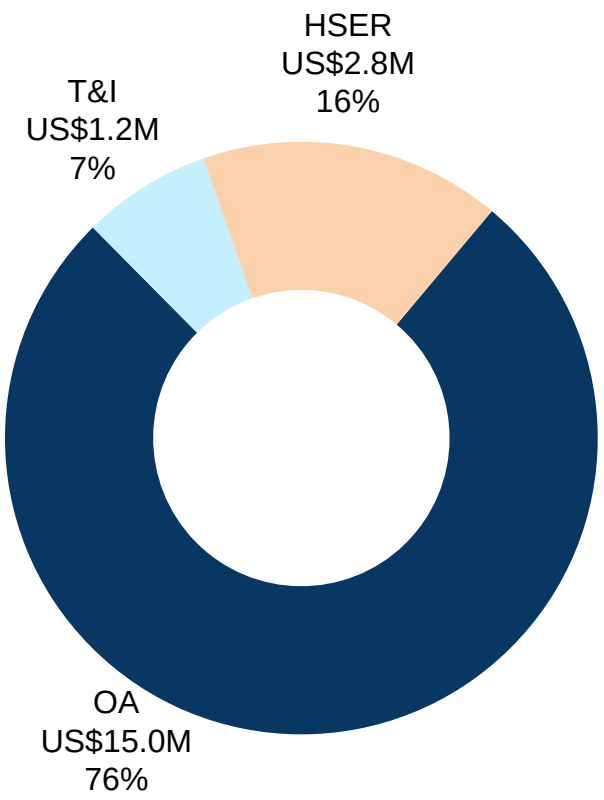
- The higher revenue was due to increased utilisation from new charters and spot jobs for harbour tugs in Q2 FY16
- Increase in gross profit was mainly due to reduction in other operating expenses

Segments results[1] & Assets deployed[2]

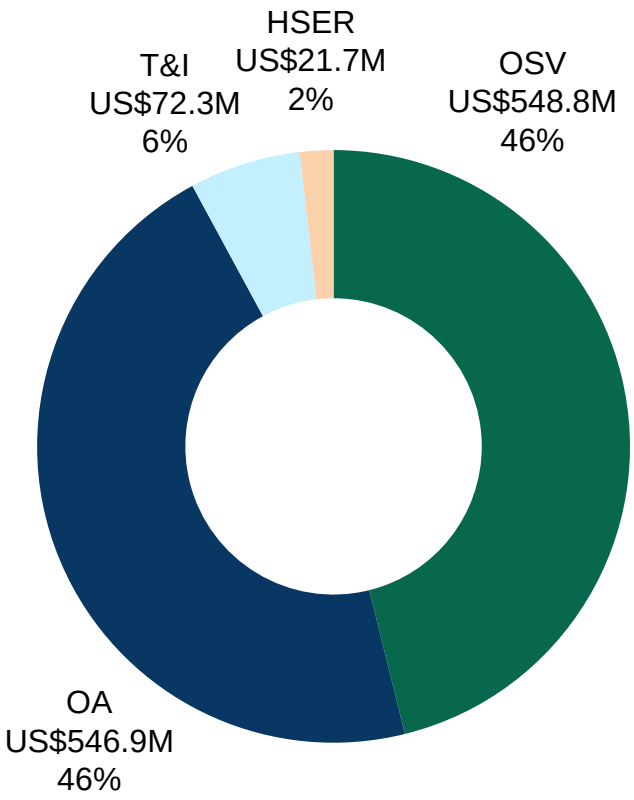
Gross Revenue (US$104.8M)



Gross Profit (US$15.8M[3])



Assets deployed (US$1189.7M)



Note 1: For period 1H FY16
Note 2: As at 30 June 2016
Note 3: OSV made a gross loss of US$3.2M in 1H FY16

Capital Structure

US$'000	30 Jun 2016	31 Dec 2015
Net Debt	589,720	545,951
Equity	1,039,499	1,061,043
Net Debt /Equity	57%	51%

- The Group has a net current liability of US$459.5M mainly due to classification of the US$300 million term loans with repayment in July 2016 as current liability. This term loan has been refinanced by new 5 and 7 years term facilities in July 2016

- POSH has available undrawn bank lines of approximately US$405.8M as of June 2016

CAPEX Plan

	Wholly Owned	JVs	Under Construction/Order	
Number of vessels[1]	73	38	22	
Net book value[2]	$1,189.7m	-	-	
CAPEX commitment	-	-	$119M Paid[2]	$185M Outstanding

- As at 30 June 2016, the Group has 22 vessels under construction/order with expected delivery by 2017, of which 11 are for the Middle East with firm 5 years plus extensions contracts and 4 are harbour tugs (2 owned and 2 under JV) to be operated by HSER
- The Group is taking delivery of 10 vessels[2] in 2H FY16 with remaining payments approximating $53.6 M

Note 1: See Appendix for details
Note 2: As of 30 Jun 2016

Business Strategy

- To be ready for the next upswing, we continue to be focused on:
  - **Commitment to operational excellence** – training and vessel maintenance to improve competitive position
  - **Penetrating new markets to capitalise on opportunities** – new growth markets in the Middle East and South Asia
  - **Maintaining a strong balance sheet** – staying prudent in capital management and new investments. This is important as oil majors are disqualifying companies with weak financials
  - **Achieving positive net operating cash generation** – through cost reduction and vessels utilization by diversification into new markets



Appendix

Overview of Business Segments

	Offshore Supply Vessels (OSV)	Offshore Accommodation (OA)	Transportation and Installation (T&I)	Harbour Services and Emergency Response (HSER)
Description	▪ **AHTS and PSV:** Mid to deepwater oilfield operations in exploration, development, construction and production phases	▪ **Offshore accommodation, workshop and storage facilities:** Offshore construction and maintenance operations	▪ **AHT:** Ocean towage of FPSOs and large offshore structures; shallow-water pipelay and construction works ▪ **Barge:** Transportation, floatovers and launching of platform jackets	▪ **Harbour Services:** Support harbour towage operators and provide heavy lift services to shipyards ▪ **Emergency Response:** Salvage, wreck removal, rescue and oil-spill response operations globally
Fleet	▪ Operates **29 vessels** (JV: 4) including: • 8,000 – 16,000 BHP AHTS • 2,346 – 4,100 DWT PSVs ▪ **Youngest deepwater and midwater AHTS/PSV fleets globally** ▪ Average vessel age of 4.0 years	▪ Operates **9 vessels** (JV: 1) with total capacity of 2,350 persons ▪ **Capacity expected to increase to 3,338 persons by end 2016** ▪ Average vessel age of 7.0 years	▪ Operates **41 vessels** (JV: 13) including: • 12,000 – 16,300 BHP AHTs • 4,000 – 8,000 BHP AHTs • Barges, including submersible barges and launch barge • Average vessel age of 8.0 years	▪ Operates **32 vessels** (JV: 20) including: • 3,200 – 5,000 BHP Azimuth Stern Drive (ASD) harbour tugs • Heavy lift crane barges with safe working load capacities of 60 - 1,500 tonnes • Average vessel age of 8.8 years
Typical Contract Type	▪ Mix of short and long-term charters and spot contracts	▪ Long-term contracts	▪ Short-term charters or lump-sum project contracts	▪ MPA license to provide port towage services in Singapore ▪ Retainer agreements for emergency response services

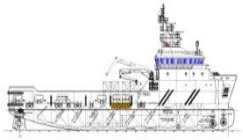
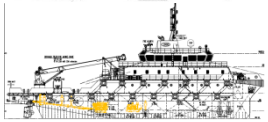
Fleet Optimisation Program

	Current Fleet		New Vessels Under Construction/Committed
Types of Vessels	**Wholly Owned**	**Owned by JVs**	
AHTS	12	4	7
PSV	13	-	2
IMR	-	-	2
AHT	9	9	2
Towing Tugs	4	-	-
Barges	15	4	-
SSAV	2	-	-
Accommodation Vessels	6	1	1
Maintenance Utility Vessels	-	-	4
Harbour Tugs	9	17	4
Crane Barge	-	3	-
Utility Workboats	3	-	-
Total as at 30 June 2016	**73**	**38**	**22**

- Young fleet of customized new builds to meet customers' needs
- Focus on high-capacity and high-specification offshore accommodation vessels
- Entry into Inspection, Maintenance and Repair (IMR) segment with construction of IMR vessels

Vessels to be delivered – Q3 FY16 onward

As at 30 June 2016, we have a total of 22 newbuilds contracted for delivery

POSH			Expected Delivery Date	No. of Newbuilds	Size
OA	AV		▪ Q4 FY16	▪ 1 LCV	▪ 88 M
			▪ Q2 FY17 ▪ Q3 FY17	▪ 2 DP2 IMR vessels	▪ 89 M
OSV	AHTS		▪ Q3 FY16 ▪ Q3 FY17 ▪ Q4 FY17	▪ 1 DP2 AHTS ▪ 6 Shallow draft AHTS	▪ 8,000 BHP ▪ 5,220 BHP
	PSV		▪ Q4 FY16 ▪ Q2 FY17	▪ 2 DP2 PSV	▪ 3000 DWT
T & I	AHT		▪ Q3 FY16 ▪ Q4 FY16	▪ 2 AHT	▪ 6,600 BHP
	MUV		▪ Q4 FY16 ▪ Q1 FY17 ▪ Q2 FY17	▪ 4 MUV	▪ 3,200 BHP
HSER	Tug		▪ Q4 FY16	▪ 2 ASD Harbour Tugs	▪ 5,000 BHP ▪ 5,000 BHP

Vessels to be delivered – Q3 FY16 onward (cont'd)

JV		Expected Delivery Date	No. of Newbuilds	Size
Tug		▪ Q4 FY16 ▪ Q2 FY17	▪ 2 ASD Harbour Tugs	▪ 3,600 BHP

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