

Miclyn Express Offshore

First Half FY18 Results Presentation



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Half Year 2018 Results

	1HFY18 US\$m	2HFY17 US\$m	1HFY17 US\$m	Variance 1HFY18 vs 2HFY17	Variance 1HFY18 vs 1HFY17
Revenue	71.9	75.1	98.7	-4.2% ↓	-27.1% ↓
Gross Profit	23.8	26.4	37.5	-9.6% ↓	-36.4% ↓
<i>Gross Profit Margin</i>	<i>33.1%</i>	<i>35.1%</i>	<i>38.0%</i>		
SG&A	(8.6)	(6.8)	(9.6)	-27.3% ↑	10.1% ↓
Others	(0.2)	(0.3)	1.5	30.4% ↑	-112.6% ↓
Normalised EBITDA	15.0	19.3	29.4	-22.3% ↓	-48.9% ↓
<i>Normalised EBITDA Margin</i>	<i>20.9%</i>	<i>25.7%</i>	<i>29.8%</i>		
Non-recurring Exceptional Items	(33.6) ¹	(68.4) ²	-	50.8% ↓	NA
EBITDA	(18.6)	(49.0)	29.4	-62.1% ↓	-163.2% ↓

- Fleet utilisation maintained at 73% (2HFY17: 72%; 1HFY17: 74%) in spite of current market conditions
- Core fleet GP decreased due to:
 - 4% reduction in average DCRs in 1HFY18
 - Opex increased due to fleet maintenance
- Project assets performed consistently due to higher utilisation and reduced offhire opex; partially offset by lower DCR
- Lump sum projects GP decreased due to the low volume of projects during the period
- SG&A stable; 2HFY17 SGA lower as a result of change in accounting estimates (US\$1.5m)
- 1HFY18 exceptional items include impairment of vessels (US\$31.8m), loss on disposal of vessels (US\$0.4m), and costs related to ongoing restructuring exercise (US\$1.4m)

Segment Performance

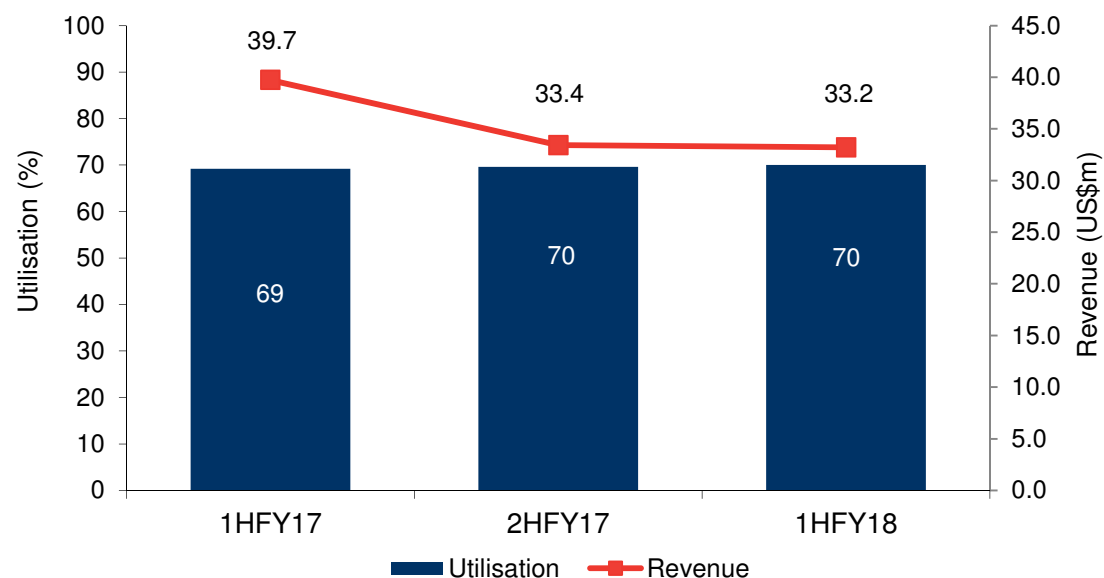
Offshore Support Vessels (OSVs)

Segment Highlights

- Utilisation stable at 70% for the past 3 halves despite challenging market conditions and oversupply of vessels
- Gross profits & margin deteriorated in spite of stable revenue & utilisation due to:
 - Short contract terms but good utilisation in challenging seismic and subsea sectors
 - Opex increased due to fleet maintenance



	1HFY17	2HFY17	1HFY18
Revenue (US\$m)	39.7	33.4	33.2
Opex (US\$m)	(25.2)	(23.2)	(24.9)
Gross Profit (US\$m)	14.5	10.2	8.3
Gross Margin (%)	37%	31%	25%



Segment Performance

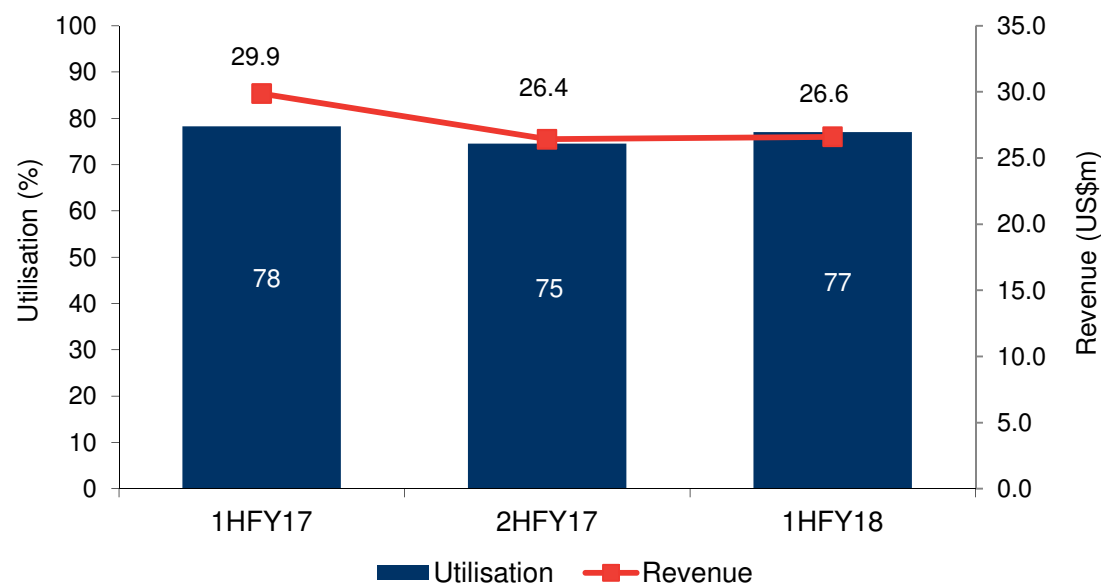
Crew/Utility Vessels

Segment Highlights

- Revenue remained consistent in 1HFY18
- Improvement in utilisation offset by minor deterioration in DCRs
- Opex remains under control



	1HFY17	2HFY17	1HFY18
Revenue (US\$m)	29.9	26.4	26.6
Opex (US\$m)	(14.5)	(15.7)	(15.4)
Gross Profit (US\$m)	15.4	10.7	11.2
Gross Margin (%)	51%	41%	42%



Segment Performance

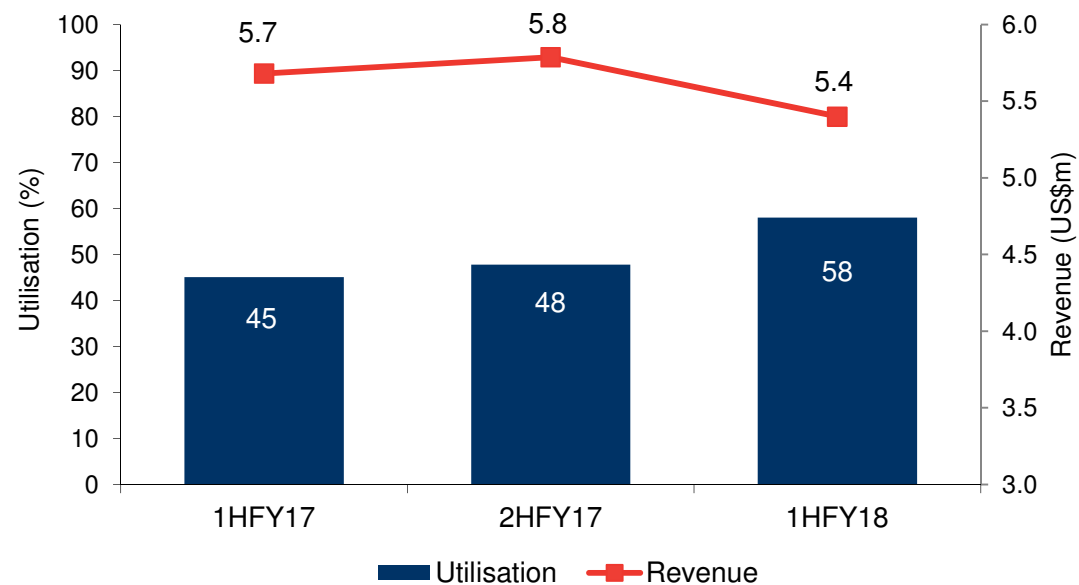
Project Assets

Segment Highlights

- The repositioning of assets to the Middle East increased utilisation and reduced offshore Opex
- However, these were offset by low DCRs in an oversupplied market



	1HFY17	2HFY17	1HFY18
Revenue (US\$m)	5.7	5.8	5.4
Opex (US\$m)	(2.3)	(2.4)	(1.6)
Gross Profit (US\$m)	3.3	3.4	3.8
Gross Margin (%)	59%	59%	70%



Segment Performance

Lump Sum Projects

Segment Highlights

- Revenue and gross profit fell in 1HFY18 due to the low volume of projects during the period
- Foreseeable bid / tender activity levels in the Middle East, Asia and Australia expected to come online by 2019

	1HFY17	2HFY17	1HFY18
Revenue (US\$m)	23.6	10.1	6.8
Opex (US\$m)	(19.3)	(8.0)	(6.3)
Gross Profit (US\$m)	4.3	2.1	0.5
Gross Margin (%)	18%	18%	8%



Market Outlook

Market Outlook

- IOCs and NOCs will resume replenishing reserves gradually
- OPEC initiatives will continue in spite of discord between members
- Activity levels still expected to improve in some regions, mainly in brownfield and IMR areas



Weathering the Storm ...

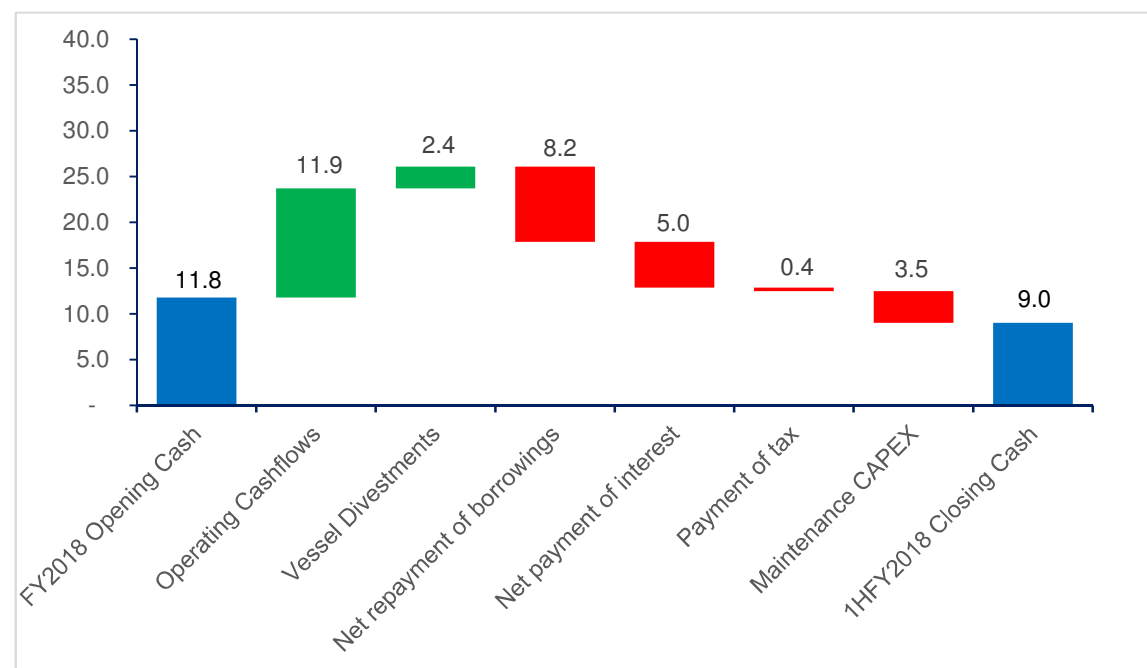
- Focus remains on more resilient shallow water production related activities
- Maintain current utilisation levels by leveraging strategic customer relationships
- Maintain operational excellence and cost control
- Explore new market opportunities and additional solution offerings



Finance Update

- Gearing excluding non-recurring exceptional items would be 66% in 1HFY18 (2HFY17: 56%)
- The Group is continuing to work with its senior lender and the holders of its US\$150m 8.75% Senior Secured Guaranteed Bonds due in 2018 to negotiate and agree a comprehensive, consensual restructuring of the Group's indebtedness
- Discussions with and support from senior lender continuing
- Dialog with bondholders commenced
 - Ad hoc steering committee formed
 - Discussion regarding bondholders' appointment of legal and financial advisors still ongoing

	1HFY17	2HFY17	1HFY18
Net Debt (US\$m)	454.6	453.9	449.8
Gearing (%) ¹	54.9%	61.3%	68.8%
Cash Balance (US\$m)	9.9	11.8	9.0



Appendix 1

Statement of Financial Performance

(US\$m)	1HFY18 (Equity)	Adjustments for Equity Accounting	1HFY18 (Proportionate)	2HFY17 (Proportionate)	Variance %
Revenue	66.1	5.9	71.9	75.1	-4%
Operating Costs	(45.9)	(2.2)	(48.1)	(48.7)	1%
Gross Profit	20.2	3.7	23.8	26.4	-10%
<i>GP Margin</i>	<i>30.6%</i>		<i>33.1%</i>	<i>35.1%</i>	
Other Income	0.1	0.0	0.2	0.3	-43%
Overheads	(7.8)	(0.8)	(8.6)	(6.8)	-27%
Forex	(0.5)	0.1	(0.3)	(0.4)	-23%
Operating Earnings	12.0	3.0	15.0	19.4	-23%
Normalised EBITDA	12.0	3.0	15.0	19.3	-22%
<i>Normalised EBITDA Margin</i>	<i>18.2%</i>		<i>20.9%</i>	<i>25.7%</i>	
Non-recurring Exceptional Items	(33.6) ¹	0.0	(33.6) ¹	(68.4) ²	-97%
EBITDA	(21.6)	3.0	(18.6)	(49.0)	-62%
<i>EBITDA Margin</i>	<i>-32.7%</i>		<i>-25.8%</i>	<i>-65.2%</i>	
Depreciation & Amortisation	(16.4)	(1.9)	(18.3)	(20.7)	12%
EBIT	(38.0)	1.1	(36.9)	(69.7)	-47%
Net Finance Costs	(15.9)	(0.1)	(15.9)	(15.0)	-6%
Upfront fees write off	0.0		0.0	0.0	
Share of profit from joint ventures	0.9	(0.9)	-	-	NM
PBT	(53.0)	0.1	(52.8)	(84.7)	38%
Income Tax Expense	(2.7)	(0.1)	(2.8)	(2.5)	20%
Income Tax Expense Rate	-4.1%		-4.0%	-3.4%	
PAT	(55.7)	0.0	(55.7)	(87.3)	36%
Minority Interest	(0.6)	0.0	(0.6)	(0.6)	-2%
PATMI	(56.3)	0.0	(56.3)	(87.8)	36%
<i>PATMI Margin</i>	<i>-85.2%</i>		<i>-78.2%</i>	<i>-116.9%</i>	
NORMALISED PATMI	(22.7)	0.0	(22.7)	(19.5)	-16%
<i>NORMAPATMI Margin</i>	<i>-34.3%</i>		<i>-31.5%</i>	<i>-25.9%</i>	

Appendix 2

Statement of Financial Position

(US\$m)	As at 31 Dec 2017 (Equity)	Adjustments for Equity Accounting	As at 31 Dec 2017 (Proportionate)	As at 30 Jun 2017 (Proportionate)
<u>Current assets</u>				
Cash and cash equivalents	9.0	7.5	16.5	19.2
Trade receivables	51.2	0.8	51.9	57.1
Other receivables and prepayments	15.1	4.1	19.3	18.8
Inventories	5.1	0.6	5.7	6.5
Assets classified as held for sale	0.8	-	0.8	0.6
Total current assets	81.2	13.0	94.2	102.2
<u>Non-current assets</u>				
Property, plant and equipment	451.9	65.9	517.8	566.3
Investment in joint ventures	79.3	(79.3)	-	-
Loan to immediate holding company	98.1	-	98.1	139.2
Other intangible assets	0.1	0.0	0.1	0.1
Goodwill	32.8	0.8	33.7	33.7
Other non current assets	3.9	-	3.9	4.6
Total non-current assets	666.2	(12.6)	653.6	743.9
TOTAL ASSETS	747.4	0.4	747.8	846.1
<u>Current liabilities</u>				
Trade and other payables	76.4	(2.5)	73.9	68.5
Current tax payable	3.5	0.1	3.7	4.1
Borrowings	310.3	2.5	312.8	29.3
Senior secured guaranteed bonds	148.6	-	148.6	-
Total current liabilities	538.8	0.1	538.9	101.9
<u>Non-current liabilities</u>				
Borrowings	-	1.1	1.1	295.1
Senior secured guaranteed bonds	-	-	-	147.8
Other non-current liabilities	4.8	-	4.8	3.7
Total non-current liabilities	4.8	1.1	5.9	446.5
TOTAL LIABILITIES	543.6	1.2	544.8	548.4
NET ASSETS	203.8	(0.8)	203.0	297.7
<u>Shareholders equity</u>				
Share capital	-	-	-	-
Other equity reserves	142.4	(10.2)	132.2	132.7
Translation reserve	(12.2)	2.1	(10.0)	(11.9)
Retained earnings	69.4	7.3	76.7	173.4
Minority interests	4.1	(0.0)	4.1	3.5
TOTAL EQUITY	203.8	(0.8)	203.0	297.7

Appendix 3

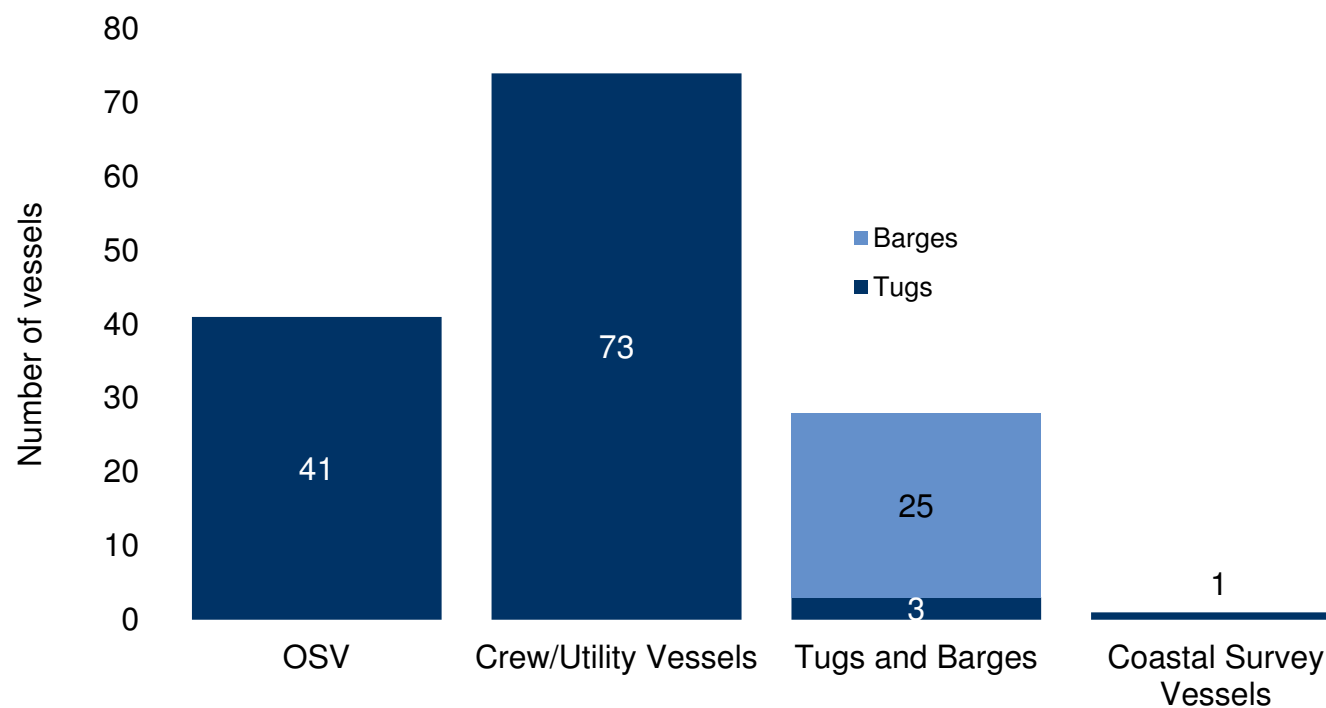
Segments

(US\$m)	1H FY18 Revenue	1H FY18 Gross Profit
OSVs	33.2	8.3
Crew/Utility Vessels	26.6	11.2
Project Assets	5.4	3.8
EOS	6.8	0.5
EOS Elimination ¹	(0.1)	-
Total	71.9	23.8

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

Appendix 4

Fleet Composition as at 31 Dec 2017¹



- No vessels under construction / to be delivered

1. Excludes Third Party Vessels

Appendix 5

Notes to the condensed Consolidated Financial Statements¹

8. Vessels held for sale

The Group is in discussions to sell certain vessels to external parties. Accordingly, as at 31 December 2017, these vessels were classified as current assets on the condensed consolidated statement of financial position. The Group has recognised an impairment loss of US\$4,096,000 in respect of the vessels held for sale based on the expected selling prices.

9. Property, plant and equipment

During the half-year ended 31 December 2017, the Group acquired US\$3,479,701 (2017 : US\$3,257,787) of new additions to property, plant and equipment. During the same period, the Group disposed property, plant and equipment with carrying amount of US\$2,831,000 (2017 : US\$1,909,677) which comprised solely of vessel and equipment.

Impairment review of vessels

As at 31 December 2017, the recoverable amounts of the vessels were determined based on the higher of value in use and fair value less costs to sell. Cash flow projections used in the value in use calculations are based on financial budgets approved by management covering periods of up to approximately 24 years, which are based on the remaining useful lives of the vessels.

Management determined the budgeted cash flows based on past performance and their expectations of market development. Cash inflows are derived based on existing charter contracts and management's estimate of the average charter rates over the recent observable shipping industry cycle, which are higher than the prevailing short-term spot charter rates at the period end with the revenue growth rate ranging from -12.6% to 11.5% (2017 : -21.5% to 27.9%) in certain years. A Weighted Average Cost of Capital ("WACC") of 10.5% (2017 : 11.3%) was used to discount the cash flows. The cost of the equity component of the WACC was derived using the capital asset pricing model.

Based on the impairment review performed by management during the current period, the Group recognized a US\$27,672,000 (2017 : US\$56,559,000) impairment loss on vessels during the half-year ended 31 December 2017 (Note 3). The impairment was required due to the continued depressed charter rates and demand for the vessels based on recent market development.

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