

# ***Nam Cheong Limited***

Informal Noteholders Meeting  
7 September 2017

Strictly Private and Confidential

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## *Market conditions*

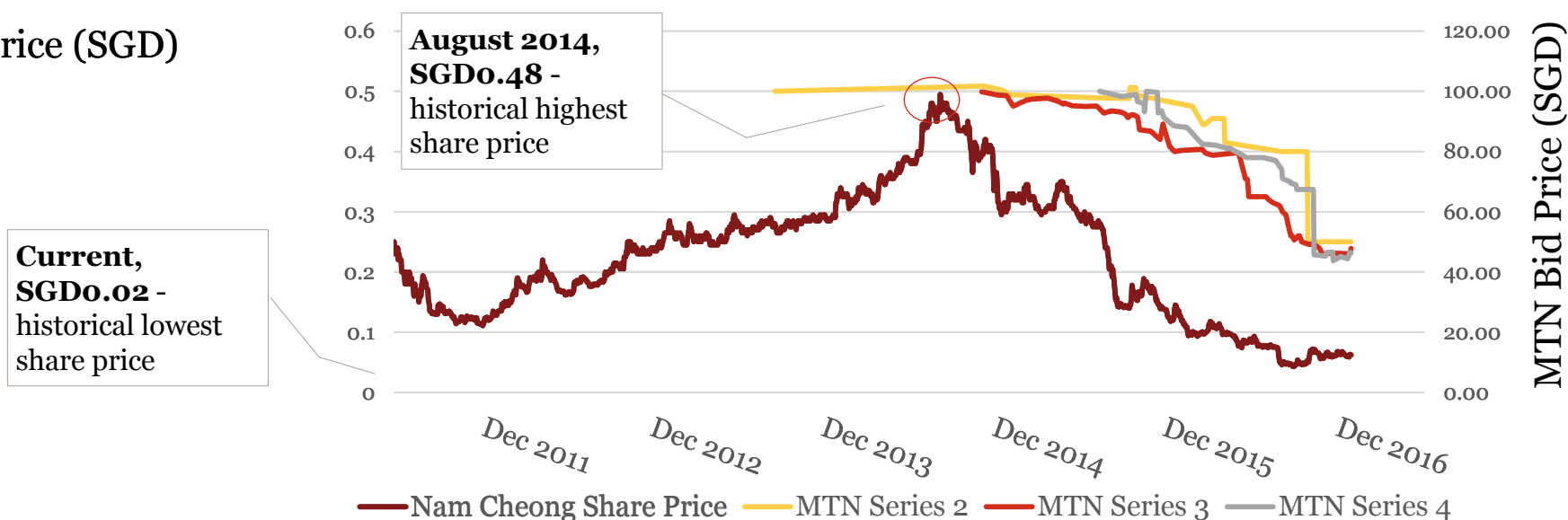
- Nam Cheong's financial position has suffered as its business has been adversely impacted by an extremely challenging operating environment
- Significant weakness and volatility in the oil price environment has persisted since worldwide reduction in oil and gas related activities in 2014
- Oversupply of offshore supply vessels along with influx of newly built vessels led to overall reduction in charter rates & utilisation
- Reduction in demand for vessels led to deferment in delivery of Nam Cheong's vessels and bring about potential threats by shipyards

# Nam Cheong's historical financial performance

## 2011 - 2016

	2011	2012	2013	2014	2015	2016
No. of vessels delivered	13	13	20	24	11	2
Revenue (USD' m)	134.7	194.8	279.4	428.6	211.1	37.9
Profit / (Loss) (USD' m)	20.7	30.4	45.8	67.1	6.2	(9.5)

Share Price (SGD)



## *Key events and measures taken by Nam Cheong (1 of 2)*

- 16 Feb 2017 – Appointed PwC as financial advisor to review the financial position
- 17 Mar 2017 – Auditors highlight material uncertainty on Nam Cheong Group's ability to continue as a going concern
- 23 Apr 2017 – Announced that the Group is undertaking a restructuring exercise
- Apr 2017 – Appointed Drew & Napier and Skrine as legal advisors to assist in the restructuring exercise
- Apr - Jun 2017 – Engaged bank lenders in Singapore and Malaysia to address significant debt maturities and restructuring of loans in preparation for noteholders meeting
  - Negotiations with shipyards, suppliers and customers to review and manage cash flow projections
  - Informal standstill of principal repayment to bank lenders to conserve cash for operations
- 19 Jun 2017 – Received a writ of summons from a bank
- 19 Jul 2017 – First informal noteholders meeting with the help of SIAS

## *Key events and measures taken by Nam Cheong (2 of 2)*

- 19 Jul 2017 onwards
  - Work with the Trustee to pay coupons out of the ISRA
  - The appointment of Rajah & Tann Singapore LLP to support the Informal Steering Committee
  - Work with the Informal Steering Committee to hold discussion groups with noteholders
- 9 Aug 2017
  - Received a writ of summons from another bank
- 7 Sept 2017
  - Second informal noteholders meeting with the help of SIAS

# *Proposed restructuring of Bank Lenders and MTN debts*

## *Base Scheme*

	<b>USD'm</b>	<b>Description</b>
<b>Total debts</b>	424	• Banks and MTNs
<b>Estimated value of secured assets</b>	(88)	• Secured assets to be sold (if applicable) and sale proceeds to be repaid to the secured lenders
<b>Unsecured debts</b>	336	
<b>Non-sustainable portion</b>	116 (35%)	<ul style="list-style-type: none"> <li>• Non-sustainable portion which is not supported by value of the Group.</li> <li>• Will be converted upfront at USD1 to 17 NCL shares representing total conversion into approx. 2 billion new shares</li> <li>• This will dilute the existing shareholders immediately by 50%</li> </ul>
<b>Sustainable portion</b>	220 (65%)	<ul style="list-style-type: none"> <li>• 7-year term loan subject to a principal moratorium of 3 years with principal repayment from Year 4 onwards (10%, 20%, 30%, 40%) on half-yearly repayment in arrears</li> <li>• Interest at 4% p.a., half of which will be paid as and when due &amp; the balance to be converted to shares at the end of each year</li> <li>• Cash sweep mechanism on excess cash from 4th year onwards</li> </ul>

# ***Proposed restructuring of Bank Lenders and MTN debts***

## ***Further options for sustainable portion of unsecured debts***

	USD'm	Description
<b>Sustainable portion</b>	<b>220</b>	<b>Other options available for lenders who want early exit</b>
<b>Option A: Cash Out Basis</b>		<ul style="list-style-type: none"> <li>• New money to be raised through rights issue offered to all shareholders</li> <li>• NCL's major shareholder to provide irrevocable written undertaking to subscribe for its entitlement of RM50 mil (USD11 mil) worth of rights shares which will be used to fund this Option. Any subscription from other shareholders to be used for operations purposes</li> </ul>
<ul style="list-style-type: none"> <li>• <b>A1</b> Cash out on pari passu basis</li> </ul>		<ul style="list-style-type: none"> <li>• New money to be shared equally between those who opt for this</li> <li>• Recovery depending on level of participation:               <ul style="list-style-type: none"> <li>– If 100% participation, then USD0.05 per USD1 of sustainable debt</li> <li>– If participation is between 25% and 100%, then recovery of between USD0.05 and USD0.20 per USD1 of sustainable debt</li> <li>– If participation is 25% or lower, then USD0.20 (cap) per USD1 of sustainable debt</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>A2</b> Reverse Dutch Auction</li> </ul>		<ul style="list-style-type: none"> <li>• If there is leftover monies from Option A1, company may choose to offer RDA</li> <li>• Bidding at minimum discount of 85%</li> </ul>
<b>Option B: Immediate Share Conversion</b>		<ul style="list-style-type: none"> <li>• NCL will issue new shares at a ratio of USD1 to <b>34 NCL shares</b> (<i>previously 17 shares</i>)</li> <li>• No limit to the shares to be issued</li> </ul>

***As more debts are converted to equity or paid off,***

- ***it is more likely to increase equity's value in the long run; and***
- ***there is more likelihood in repayment of the remaining Restructured debt over 7 years***



## *Other terms of the restructuring (1 of 2)*

Shares issued in lieu of 50% interest

- NCL shares to be issued at each anniversary of the Scheme effective date at USD1 to 17 NCL shares

Rights Issue

- NCL's major shareholder's commitment of USD11 mil for the Rights issue will be placed in an Escrow Account or in the form of banker's guarantee immediately upon filing of the scheme proceedings<sup>1</sup>. This will be converted into NCL shares in the Rights Issues exercise

Moratorium on shares held by major shareholder

- Moratorium of **7 years from Scheme effective date on existing shares** (previously 3 years) and **1 year on rights issue shares** (previously no moratorium)

MTNs held by Nam Cheong Group through nominee

- Entitlement to ISRA to be used to defray Trustee's fees and expenses (including legal adviser's fees)
- Principal subordinated to the indebtedness of banks and MTNs<sup>1</sup>

MTNs upon restructuring

- All MTNs will be cancelled and become either restructured debts (7 years term loan) or NCL shares or extinguished by immediate cash payment

Appointment of monitoring accountant

- A monitoring accountant will be appointed for the duration of the restructuring to monitor the results of the Group against projections and compute the restructured creditors' entitlement

Sale of restructured shares

- To provide the major shareholder with first right of refusal

<sup>1</sup> These were inadvertently misstated in the presentation as "S210(10)" and "repayment for MTNs held by other noteholders" respectively.

# *Other terms of the restructuring (2 of 2)*

## *Management incentive plan*

### **Yardstick**

- 1<sup>st</sup> yardstick: Meeting the cashflow projections and pay interest and principal according to the Restructuring plan
- 2<sup>nd</sup> yardstick: Meeting requirements under the 1<sup>st</sup> yardstick AND either of the following:
  - exceeding the projected cashflows in terms of net cash generated by at least 20% above the cashflow projections; or
  - making further prepayments of 20% above the restructured repayments

### **Entitlement**

- 1% of Total Shares per year if management meets the 1<sup>st</sup> yardstick with effect from the first anniversary of the Restructuring
- A further 1% of Total Shares per year to be issued from the 4<sup>th</sup> year of the Restructuring onwards if management is able to achieve the 2<sup>nd</sup> yardstick
- The shares will be issued free of charge
- Total Shares is defined as the aggregate of :
  - i. existing shares in circulation prior to the Restructuring;
  - ii. shares to be issued as part of the Restructuring to satisfy the sustainable and non-sustainable debt; and
  - iii. rights issue to be issued as part of the Restructuring

## *Major shareholder's commitment*

- Fresh funds of RM50 million upon successful voting of the Scheme
- Moratorium of 7 years on existing shares and 1 year on rights issue shares
- 50% dilution in shareholdings by issuance of new shares for the non sustainable debt
- Further dilution by offering higher proportion of shares for the sustainable debt

***For illustration purpose only***

*For noteholders with SGD250,000 worth of MTNs*

	USD'000	<b>7-year plan (Base scheme) USD'000</b>	<b>Cash out basis USD'000</b>	<b>Immediate share conversion USD'000</b>
MTNs of SGD250k	178			
Repayment of principal in the ISRA (approx.)	(5)	5	5	5
Unsecured debts	173			
Non sustainable portion (35%)	61	14 *	14 *	14 *
		(Convert at 17 new shares for each USD1 of debt i.e. approx. 1 mil new shares)		
Sustainable portion (65%)	112			
• 7-year plan - cash		Cash 112		
• Cash out basis - cash			Cash 5 – 22	
• Immediate share conversion - shares				54 ** (3.8 mil shares)
<b>Total recovery</b>		<b>131 (73.6%)</b>	<b>24 – 41 (13.5 - 23%)</b>	<b>73 (41%)</b>

Converted at \*17 shares / \*\*34 shares for each USD1 at the exchange rate of 1 : 1.40 and assuming share price of SGDo.02 per share. At the historical peak of SGDo.48 per share, recovery will be potentially higher

*In this illustration, exchange rate of SGD1.40 to USD1 is used*

## *The Group continuing operations – 7 years*

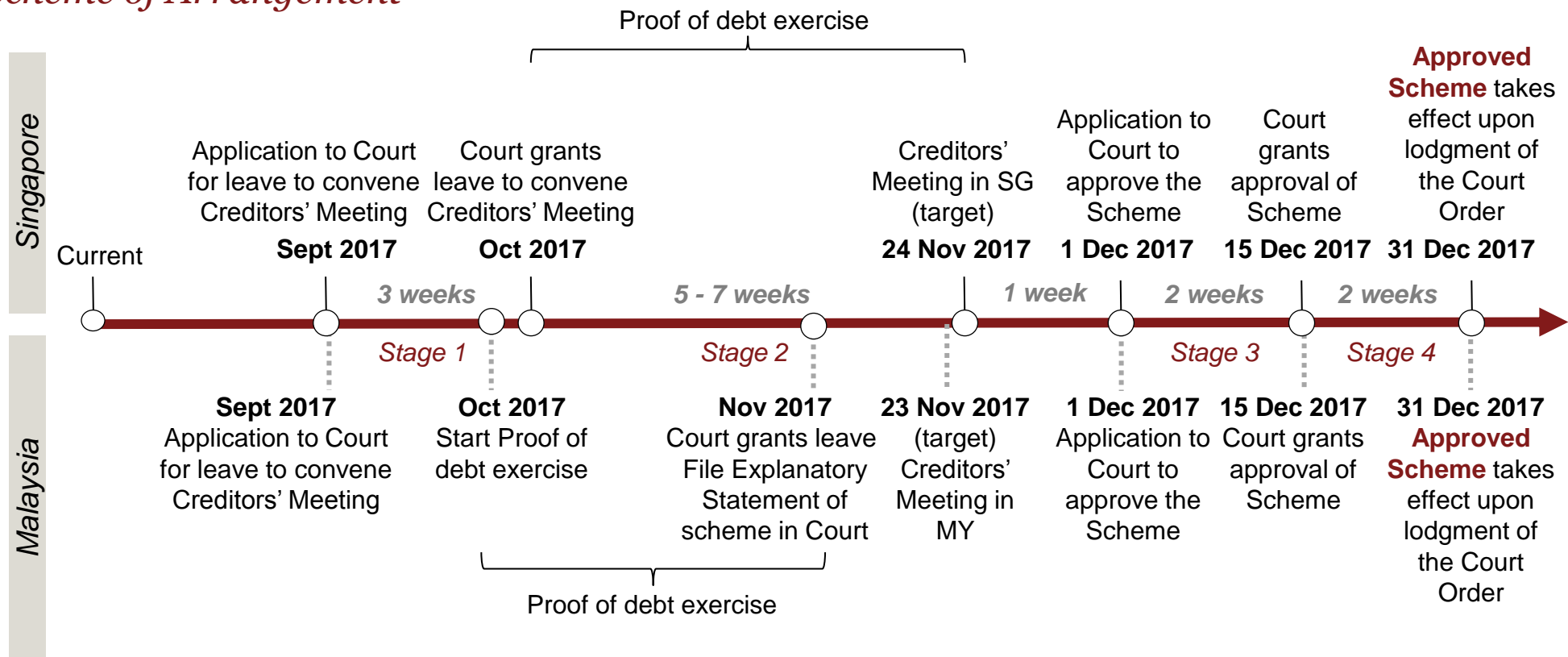
<b>Description</b>	<b>USD'mil</b>	<b>USD'mil</b>
Existing inventory and deferred sales ( <i>13 vessels</i> )	150	
<u>Less:</u> Payment to a secured lender ( <i>1 vessel</i> )	(10)	140
Instalment payments to shipyards ( <i>for 10 additional vessels</i> ) and suppliers	(120)	
Bareboat payment to shipyards	(18)	(138)
Gross charter income over 7 years	234	
<u>Less:</u> OPEX / Overheads	(145)	
Interest on sustainable debt (2018 onwards, 50% deferred)	(33)	56
Value of chartering fleet ( <i>1 existing vessel + 10 additions to fleet</i> )		162
<b><i>Indicative value of the Group if restructuring is successful</i></b>		<b>220</b>

## ***Restructuring – Legal process***

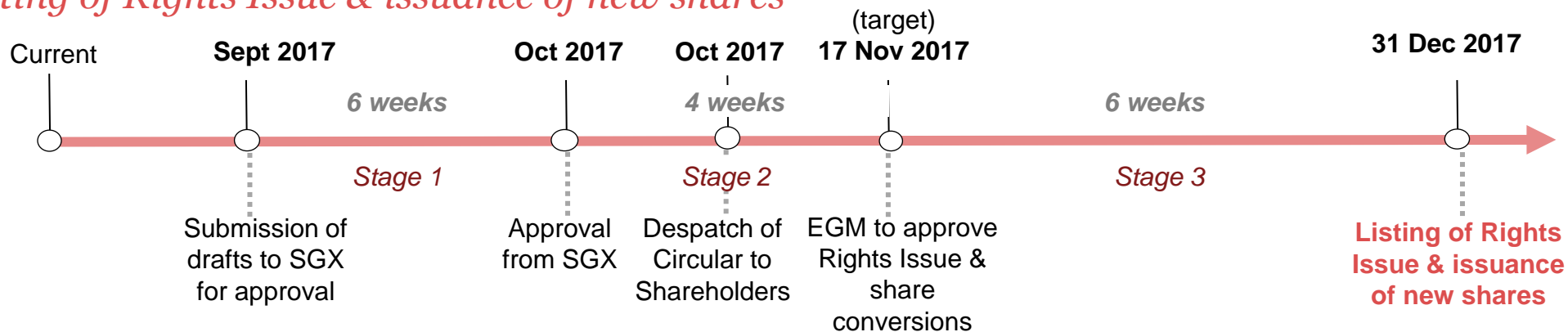
- Scheme of Arrangement (SOA) – no consent solicitation exercise
- The Scheme Companies will have their own SOA. For the Group’s restructuring exercise to be successful, all SOAs must be approved by the requisite majority and the Court
- The SOA of the Company shall be approved by a majority in number representing 75% in value (“Requisite Majority”) of the Company’s creditors or all classes of creditors

# Next Steps (Indicative)

## Scheme of Arrangement



## Listing of Rights Issue & issuance of new shares



\* Timeline not drawn to scale

## *Summary*

- The proposed scheme offers significantly higher recovery than a liquidation scenario
- Shares to be issued provide potential equity upside
- Opportunity to exit immediately through Cash Out or Immediate Share Conversion options
- Timing and amount of recovery under a liquidation scenario is highly uncertain given depressed OSV sector



## *Conclusion*

For the restructuring to be successful,

the Company needs your support.

Please vote for the scheme!

## *Example of voting slip (extract only)*

Vote **FOR** the scheme of arrangement

If you vote for the Scheme, please tick one of the boxes below

100% - 7-year plan.....

100% - Option A cash out basis.....

100% - Immediate share conversion.....

50% - 7-year plan, 50% - Option A cash out basis.....

50% - 7-year plan, 50% - Option B immediate share conversion.....

50% - Option A cash out basis, 50% - Option B immediate share conversion.....

If a Noteholder does not select an option, the Noteholder shall be deemed to have selected “100% - 7-year plan”

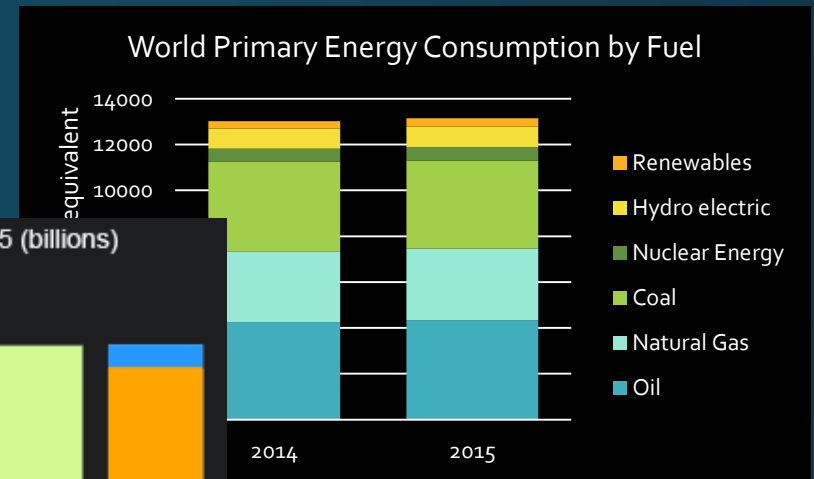
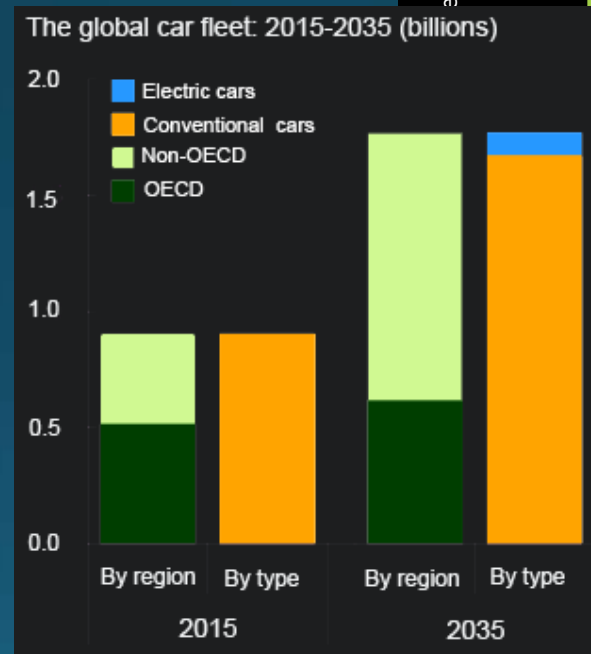
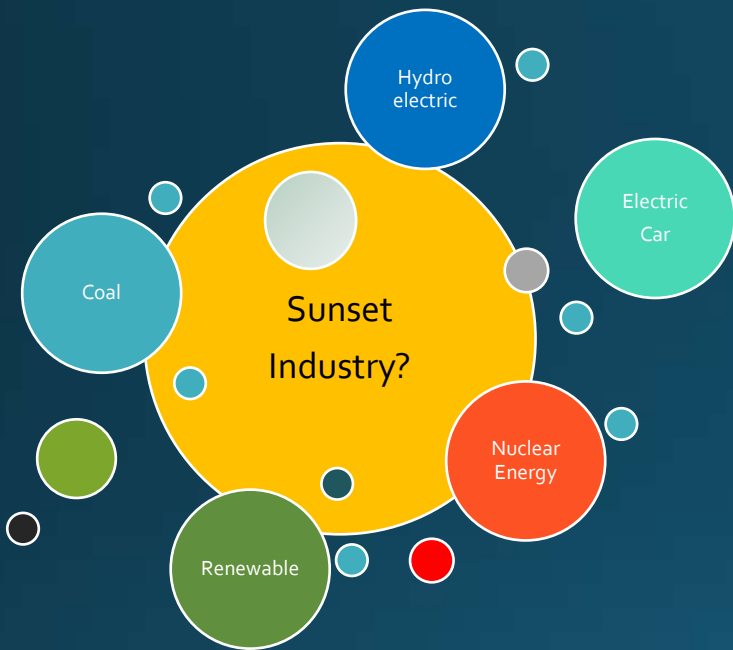
Vote **AGAINST** the scheme of arrangement



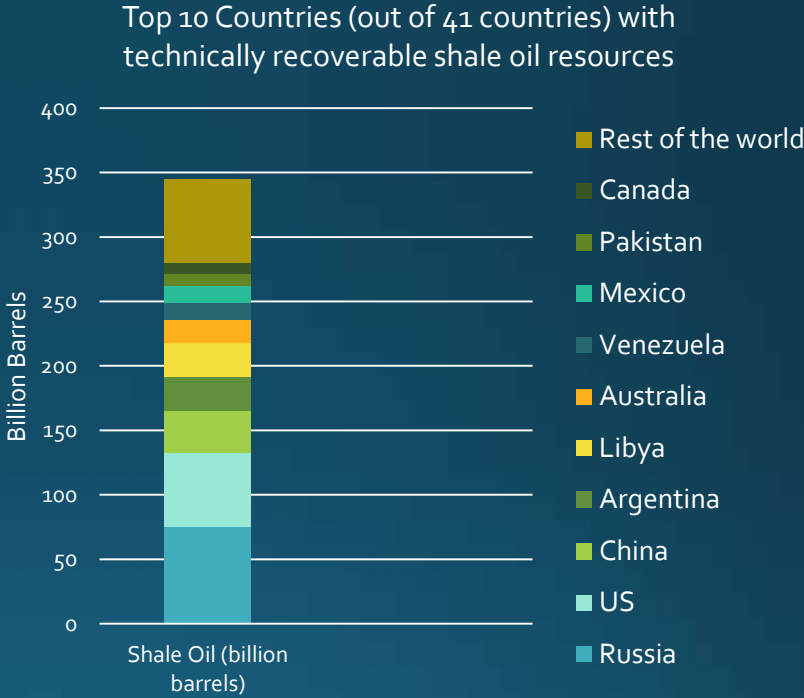
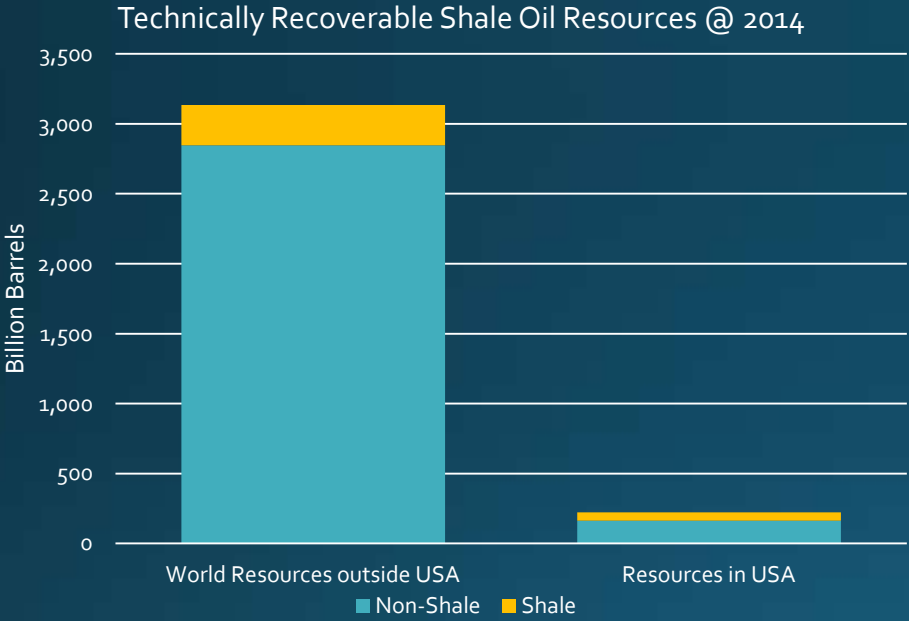
# Going Beyond

The Navigating & Rebuilding of Nam Cheong

# The End of Peak Oil?

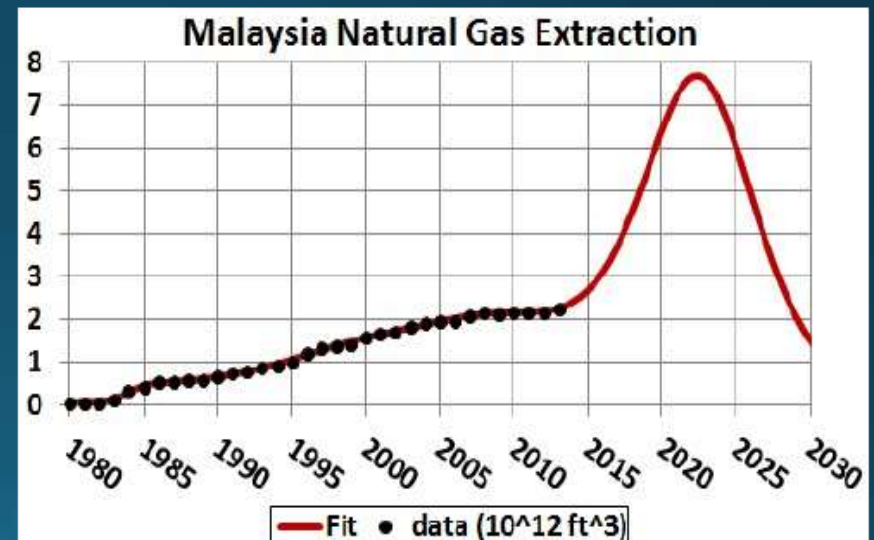
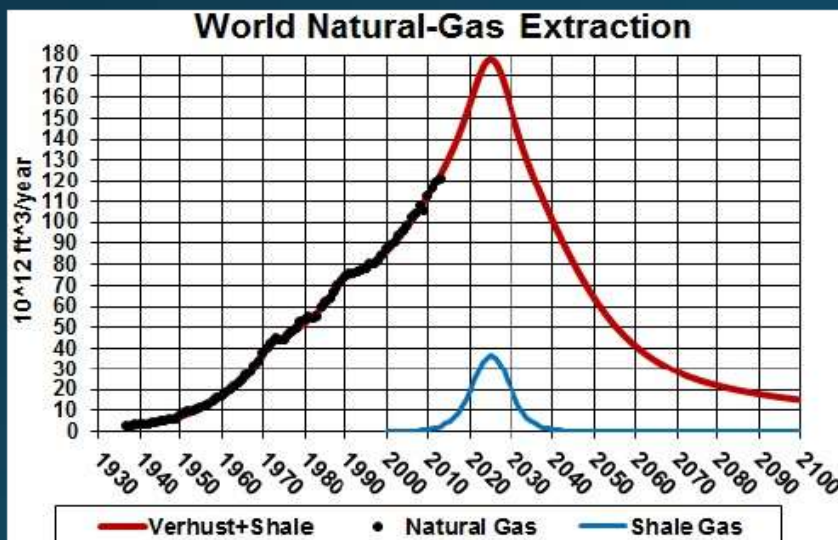
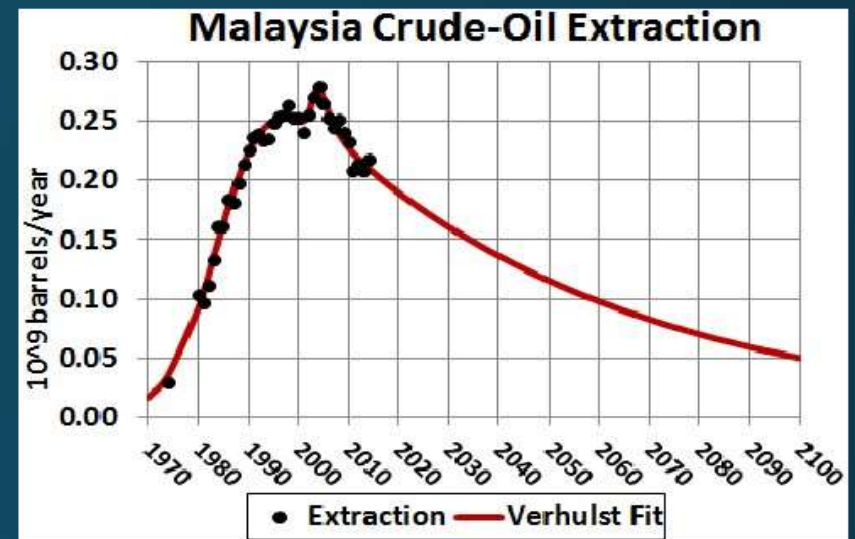
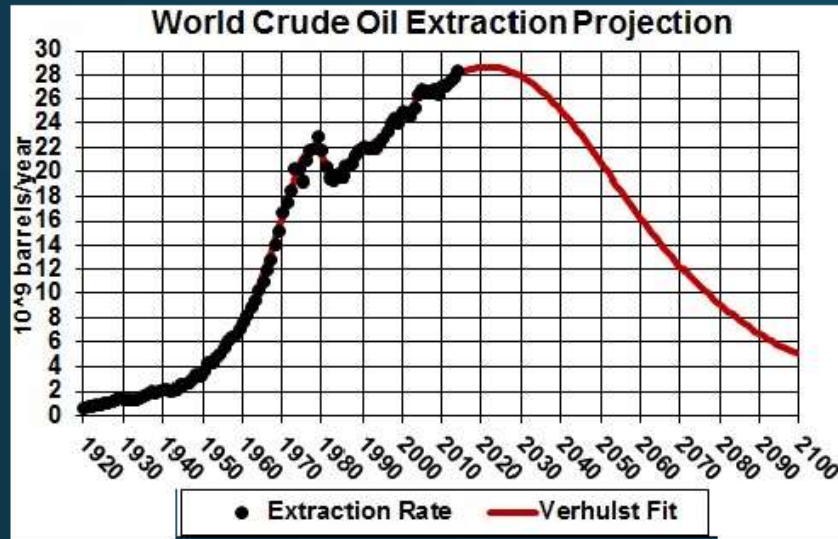


# Shale Production Sustainability



Source: EIA

# The End of Peak Oil?

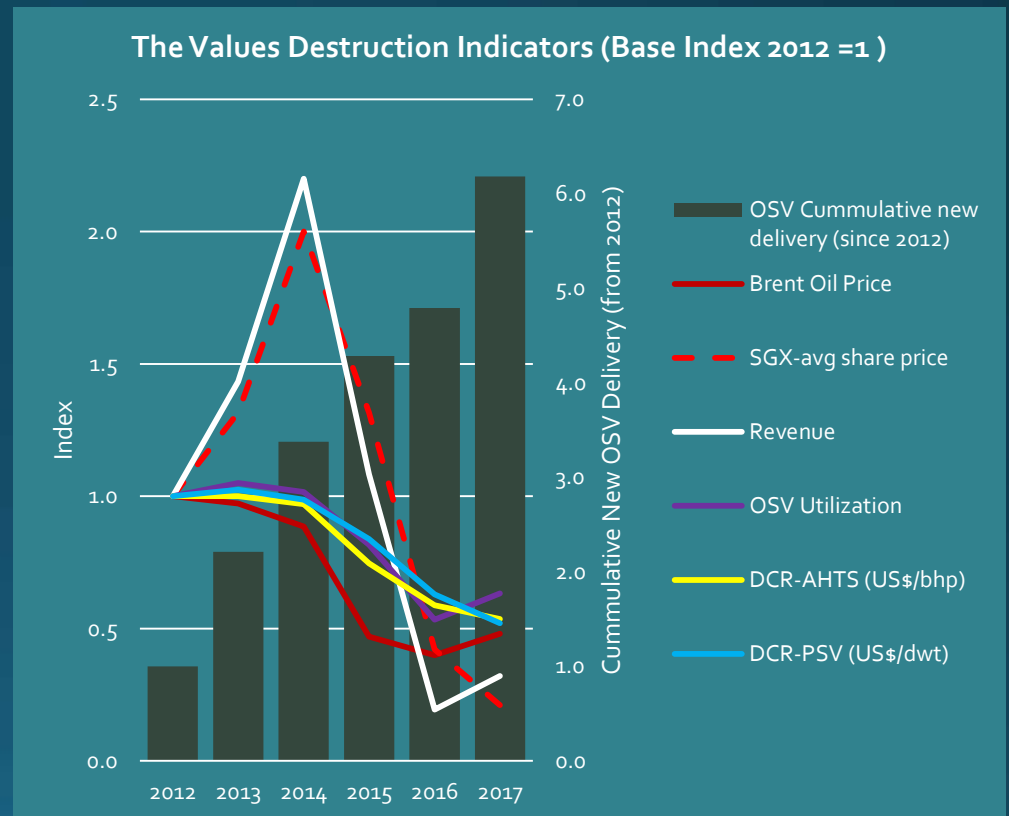


# The End of OSV?



# Nam Cheong's Value Destruction

- Stock values
- Business model of BTS
- Oversupply OSV Market
- Operation issues
  - Low Utilization
  - Low Charter Rate





# Rebuilding of Nam Cheong

- Deliver consistent and predictable earnings
- Finance restructuring
- Suppliers management
- Cost efficiency



# Rebuilding of Nam Cheong

- Deliver consistent and predictable earnings
- Finance restructuring
- Suppliers management
- Cost efficiency
- Realistic expectation of market recovery and OSV sales revenue
- Turn idle assets into a strategic fleet and provide mid term cash flow
- New oil & gas services or floaters business that provide long term, consistent revenue.

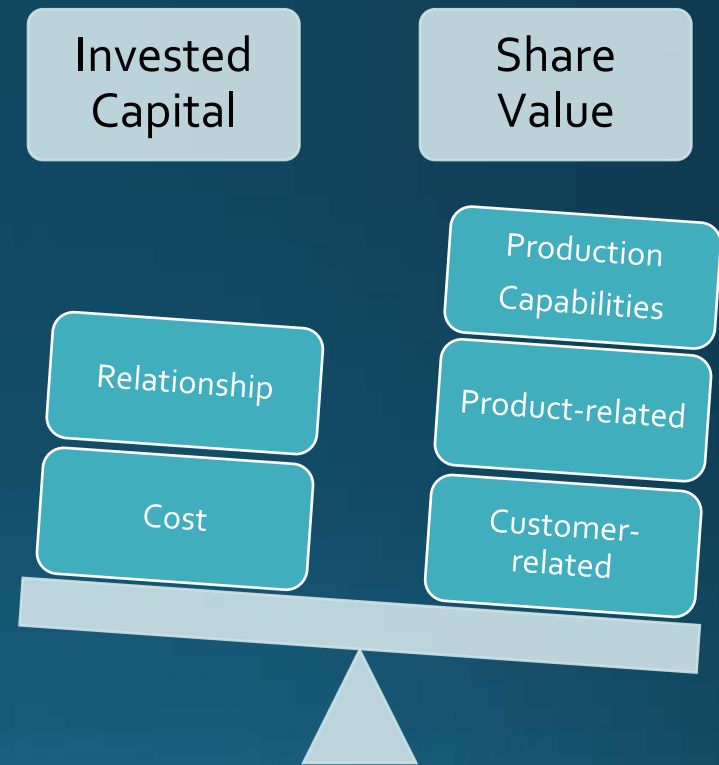
# Rebuilding of Nam Cheong

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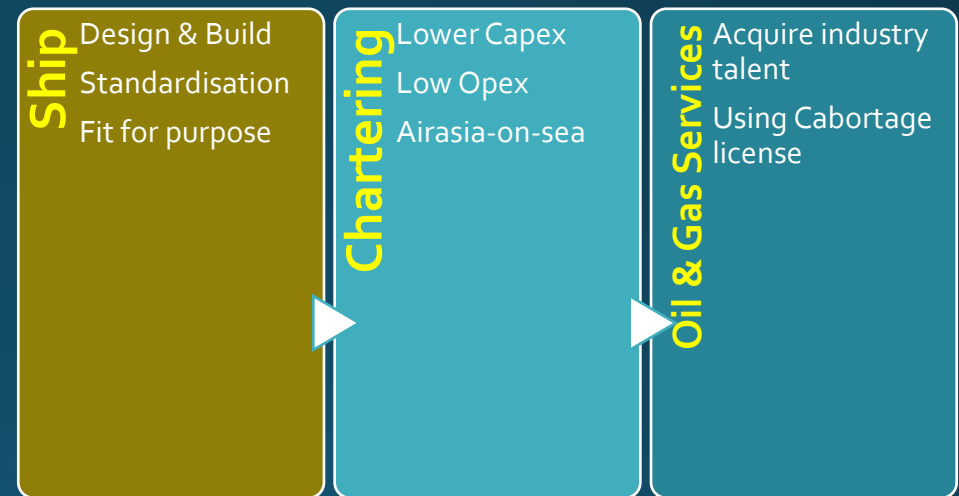
# Rebuilding of Nam Cheong

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# Go Beyond



# Q&A

