

Miclyn Express Offshore

First Half FY17 Results Presentation



www.meogroup.com



Half Year 2017 Results

	1HFY17 US\$m	2HFY16 US\$m	Variance	1HFY16 US\$m	Variance
Revenue	98.7	115.7	↓ -15%	131.5	↓ -25%
Gross Profit	37.5	44.1	↓ -15%	58.8	↓ -36%
Gross Profit Margin	38%	38%		45%	
SG&A	(9.6)	(10.7)	↑ 10%	(9.5)	↓ -1%
Others ¹	1.5	(0.9)	↑ 267%	0.4	↑ 275%
EBITDA ²	29.4	32.5	↓ -10%	49.7	↓ -41%
EBITDA Margin	30%	28%		38%	
Net Loss after MI	(9.4)	(9.1)	↓ -3%	(13.6)	↑ 31%

- Fleet revenues decreased due to:
 - Reduced core fleet utilisation 74% (2H FY16 : 79%; 1H FY16 : 83%)
 - Depressed DCRs due to re-contracting in softer market conditions
- Non core segments and Projects remain stable in a non-recurring segment of the market
- Gross profit margin maintained from 2H FY16; down from 1H FY16 in line with market conditions
- SG&A remains controlled
- Normalised EBITDA margin in line with 2H FY16; down from 1H FY16 due to lower GP margin
- Net loss after MI slightly reduced as EBITDA variance partially offset by lower depreciation and finance costs



Segment Performance

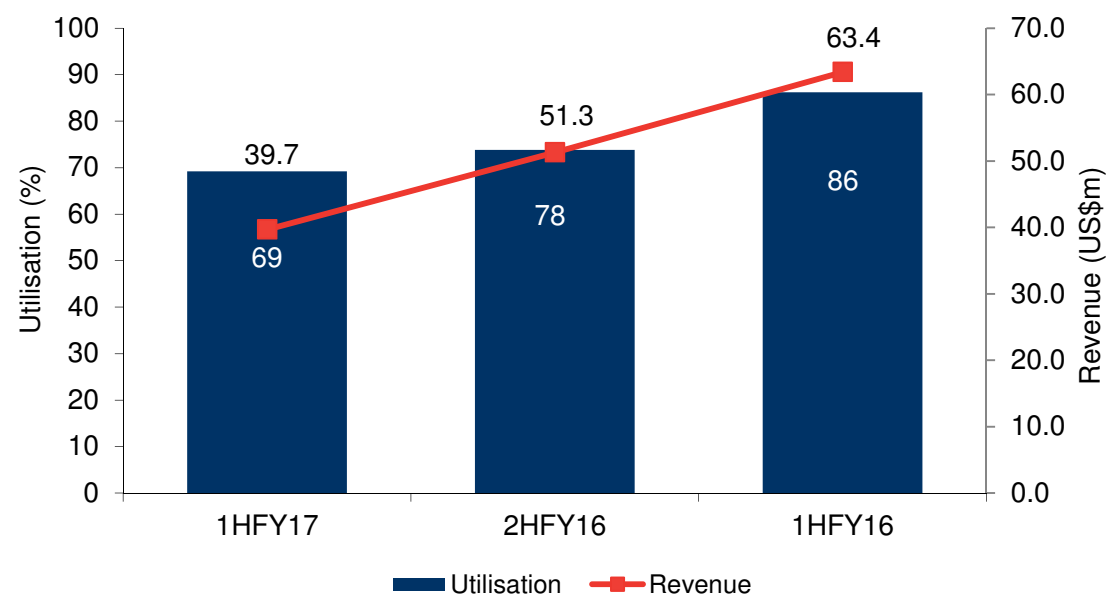
Offshore Support Vessels (OSVs)

Segment Highlights

- 69% utilisation in 1H FY17 due to a period of re-contracting in Q1
- Most vessels now re-deployed with existing long-term customers
- No significant re-contracting risk in 2H FY17



	1HFY17	2HFY16	Variance	1HFY16	Variance
Revenue (US\$m)	39.7	51.3	↓ -23%	63.4	↓ -37%
Gross Profit (US\$m)	14.5	21.5	↓ -32%	30.4	↓ -52%
Gross Margin (%)	36.5	41.8		47.9	



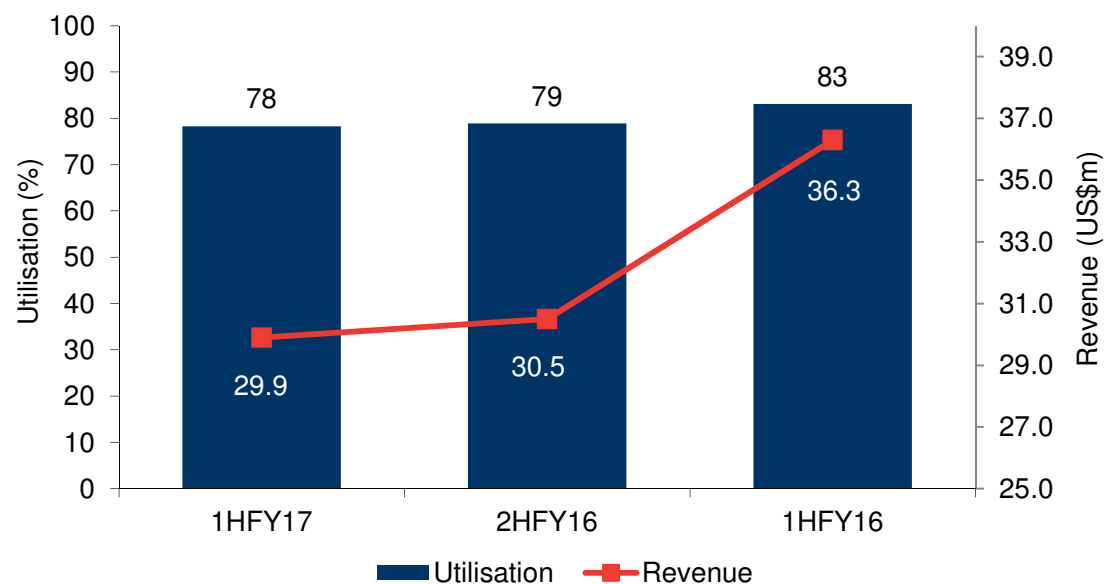
Segment Performance

Crew/Utility Vessels

Segment Highlights

- 78% utilisation in 1H FY17, including vessels earmarked for divestment
- Utilisation levels remain consistent due to ongoing long-term customer relationships
- Continuous pressure on DCRs due to oversupply

	1HFY17	2HFY16	Variance	1HFY16	Variance
Revenue (US\$m)	29.9	30.5	↓ -2%	36.3	↓ -18%
Gross Profit (US\$m)	15.4	12.8	↑ 20%	18.7	↓ -18%
Gross Margin (%)	51.4	42.0		52.0	



Segment Performance

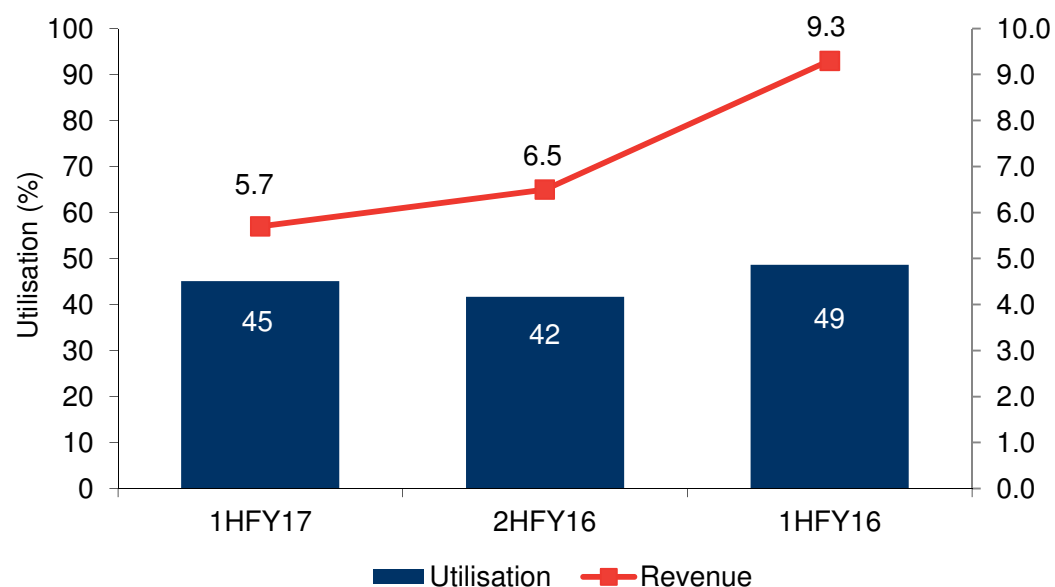
Project Assets

Segment Highlights

- Utilisation marginally improved as near shore assets re-enter the spot market
- Lower DCRs in weak market with oversupply of project assets and lower margins due to deployment on brownfield projects in Australia



	1HFY17	2HFY16	Variance	1HFY16	Variance
Revenue (US\$m)	5.7	6.5	↓ -13%	9.3	↓ -39%
Gross Profit (US\$m)	3.3	4.8	↓ -31%	6.0	↓ -44%
Gross Margin (%)	58.7	74.1		64.5	



Segment Performance

Lump Sum Projects

Segment Highlights

- Performed consistently in non-recurring area of a soft market
- Gross margin increased as costs have come down in line with market conditions
- Replenishing pipeline for 2H FY17 a challenge

	1HFY17	2HFY16	Variance	1HFY16	Variance
Revenue (US\$m)	23.6	29.8	↓ -21%	23.2	↑ 2%
Gross Profit (US\$m)	4.3	5.0	↓ -15%	3.7	↑ 18%
Gross Margin (%)	18.2	16.9		15.7	



Market Outlook

Market Outlook

- Oil price has stabilised in the \$50 ~ \$55 / barrel range, however substantial uncertainty remains
- However it will be some time before demand will absorb the current oversupply of vessels (circa 1,400 vessels)
- IOCs and NOCs yet to pass any investment proposals
- Some market consolidation taking place



Weathering the Storm ...

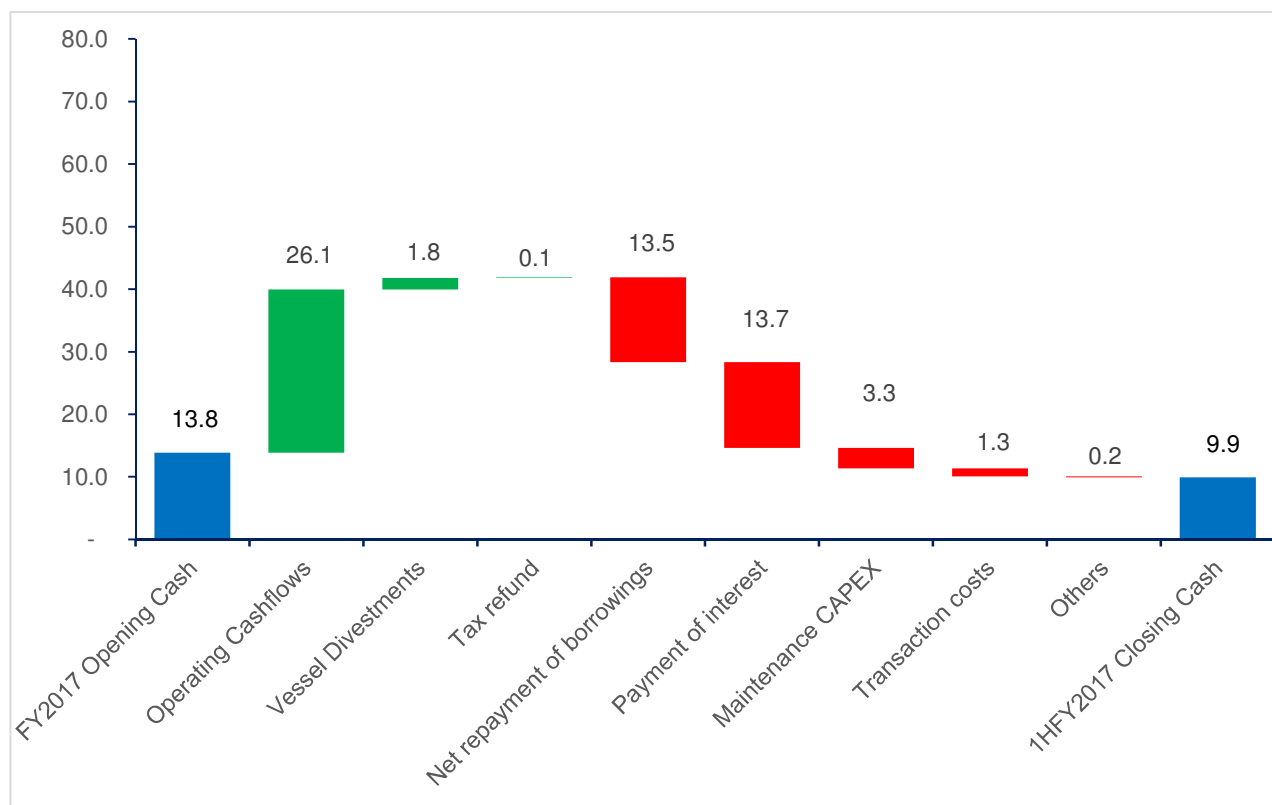
- Focus remains on more resilient shallow water production related activities
- Maintain current utilisation levels by leveraging strategic customer relationships
- Maintain optimal internal efficiencies to preserve margins
- Explore new market opportunities e.g. Africa



Finance Update

- Operating cashflows remain stable
- Term loan amortisation profile extended against
 - RCF limit reduction to \$75m from \$100m
 - Cash sweep effective above \$17m
- Reduced maintenance CAPEX due to timing, expected to increase in 2H FY17
- Strategy of deleveraging to continue**

	1HFY17	FY16
Net Debt (US\$m)	454.6	464.3
Gearing (%) ¹	54.9%	54.6%



Summary



Clear strategy



Proven Operational Excellence



Solid execution capability



Financial capacity to deleverage



Ability to weather cyclical downturns



Appendix 1

Statement of Financial Performance

(US\$m)	1HFY17 (Equity)	Adjustments for Equity Accounting	1HFY17 (Proportionate)	2HFY16 (Proportionate)	Variance %
Revenue	92.0	6.7	98.7	115.7	-15%
Operating Costs	(59.4)	(1.8)	(61.2)	(71.6)	15%
Gross Profit	32.6	4.9	37.5	44.1	-15%
<i>GP Margin</i>	<i>35.4%</i>		<i>38.0%</i>	<i>38.1%</i>	
Other Income	0.7	0.2	0.9	0.6	63%
Overheads	(8.7)	(0.9)	(9.6)	(10.7)	10%
Forex	0.7	(0.0)	0.7	0.3	112%
Operating Earnings	25.3	4.2	29.5	34.3	-14%
Gain/(loss) on disposal of vessels	(0.1)	-	(0.1)	(1.8)	97%
Normalised EBITDA	25.2	4.2	29.4	32.5	-10%
<i>Normalised EBITDA Margin</i>	<i>27.4%</i>		<i>29.8%</i>	<i>28.1%</i>	
Non-recurring Exceptional Items ¹	(0.0)		(0.0)	(1.4)	100%
EBITDA	25.2	4.2	29.4	31.1	-6%
<i>EBITDA Margin</i>	<i>27.4%</i>		<i>29.8%</i>	<i>26.9%</i>	
Depreciation & Amortisation	(19.2)	(2.0)	(21.2)	(21.7)	2%
EBIT	5.9	2.2	8.2	9.5	-14%
Net Finance Costs	(14.6)	(0.1)	(14.7)	(15.4)	5%
Upfront fees write off	0.0		0.0	0.0	
Share of profit from joint ventures	1.9	(1.9)	-	-	NM
Loss before tax	(6.7)	0.2	(6.5)	(5.9)	-10%
Income Tax Expense	(2.2)	(0.2)	(2.4)	(2.5)	16%
Income Tax Expense Rate	-2.4%		-2.4%	-2.2%	
Net Loss for the Half-Year	(8.9)	(0.0)	(8.9)	(8.5)	-5%
Minority Interest	(0.6)	0.0	(0.6)	(0.7)	18%
Net loss after MI	(9.4)	(0.0)	(9.4)	(9.1)	-3%
<i>Net Loss Margin</i>	<i>-10.3%</i>		<i>-9.6%</i>	<i>-7.9%</i>	
NORMALISED NET LOSS	(9.4)	(0.0)	(9.4)	(7.7)²	-22%
<i>NORMALISED NET LOSS Margin</i>	<i>-10.2%</i>		<i>-9.6%</i>	<i>-6.7%</i>	

Appendix 2

Statement of Financial Position

(US\$m)	As at 31 Dec 2016 (Equity)	Adjustments for Equity Accounting	As at 31 Dec 2016 (Proportionate)	As at 30 Jun 2016 (Proportionate)
<u>Current assets</u>				
Cash and cash equivalents	9.9	7.5	17.4	22.7
Trade receivables	59.7	1.7	61.4	59.4
Other receivables and prepayments	19.9	4.9	24.8	23.2
Loan to immediate holding company	139.2	-	139.2	139.2
Inventories	7.8	0.4	8.2	6.4
Assets classified as held for sale	-	-	-	1.6
Total current assets	236.4	14.5	250.9	252.4
<u>Non-current assets</u>				
Property, plant and equipment	567.6	68.8	636.4	657.4
Investment in joint ventures	76.6	(76.3)	0.3	-
Other intangible assets	0.2	-	0.2	0.2
Deferred tax assets	-	-	-	-
Goodwill	32.8	0.8	33.7	33.7
Other non current assets	3.1	-	3.1	2.7
Total non-current assets	680.4	(6.7)	673.7	694.1
TOTAL ASSETS	916.9	7.8	924.7	946.5
<u>Current liabilities</u>				
Trade and other payables	72.9	(0.6)	72.3	65.5
Current tax payable	3.5	0.1	3.7	2.9
Borrowings	16.2	4.7	20.9	37.5
Other liabilities	0.1	0.0	0.1	0.2
Total current liabilities	92.7	4.3	97.0	106.1
<u>Non-current liabilities</u>				
Borrowings	301.3	4.4	305.8	306.5
Senior secured guaranteed bonds	147.0	-	147.0	146.2
Other non-current liabilities	2.8	(0.0)	2.7	2.3
Total non-current liabilities	451.1	4.4	455.5	455.0
TOTAL LIABILITIES	543.8	8.7	552.5	561.1
NET ASSETS	373.1	(0.9)	372.2	385.4
<u>Shareholders equity</u>				
Share capital	-	-	-	-
Other equity reserves	143.9	(10.2)	133.7	133.2
Translation reserve	(16.5)	2.1	(14.5)	(9.7)
Retained earnings	242.8	7.2	250.0	259.5
Minority interests	3.0	-	3.0	2.4
TOTAL EQUITY	373.1	(0.9)	372.2	385.4

Appendix 3

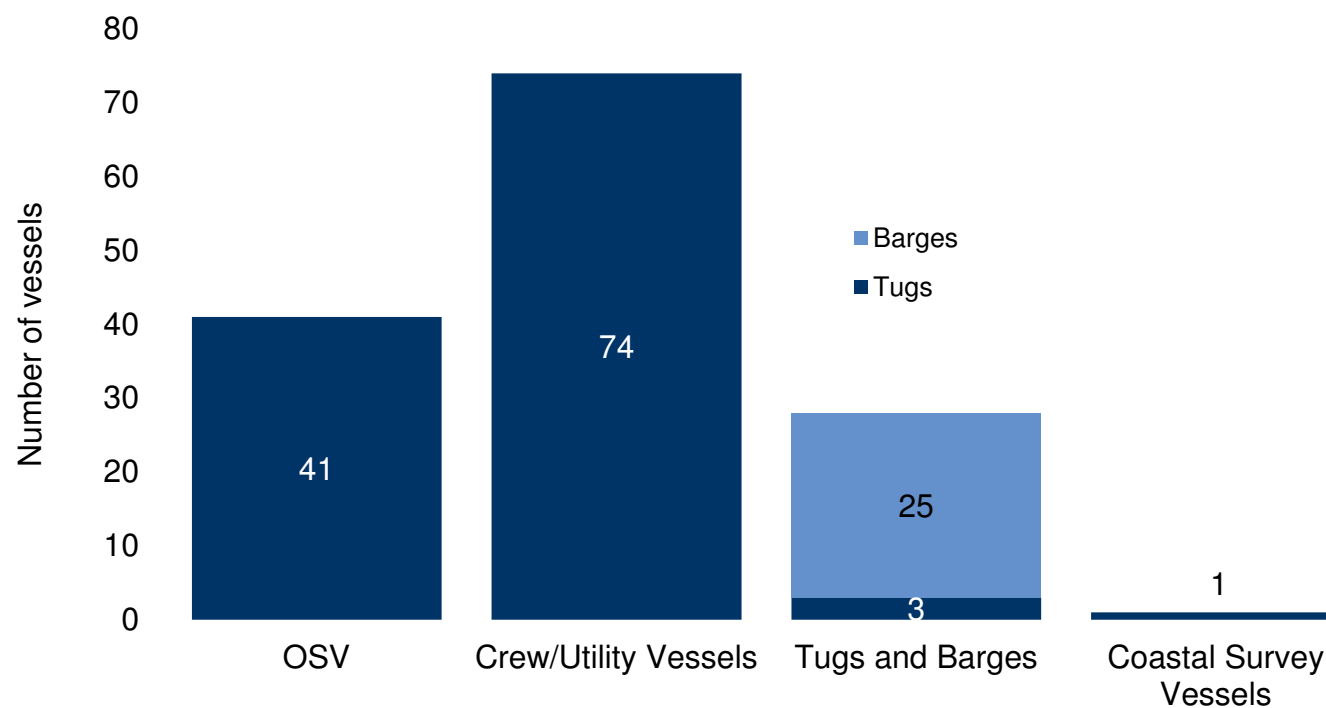
Segments

(US\$m)	1H FY17 Revenue	1H FY17 Gross Profit
OSVs	39.7	14.5
Crew/Utility Vessels	29.9	15.4
Project Assets	5.7	3.3
Lump Sum Projects	23.6	4.3
Elimination ¹	(0.2)	-
Total	98.7	37.5

1. Elimination for intercompany charter of vessels from MEO to lump sum projects

Appendix 4

Fleet Composition as at 31 Dec 2016¹



- No vessels under construction / to be delivered

1. Excludes Third Party Vessels

Important notice and disclaimer

Reliance on Third Party Information

The views expressed here contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. This presentation should not be relied upon as a recommendation or forecast by Miclyn Express Offshore Limited (“Miclyn Express Offshore”).

Forward Looking Statements

Some of the information contained in this document may constitute forward-looking statements that are subject to various risks and uncertainties. Nothing in this document is a promise or representation as to the future. Statements or assumptions in this document as to future matters may prove to be incorrect. Miclyn Express Offshore does not make any representation or warranty as to the accuracy of such statements or assumptions. You acknowledge that circumstances may change and the contents of this document may become outdated as a result. You also acknowledge that no audit or review has been undertaken by an independent third party of the assumptions, data, results, calculations and forecasts contained in or referred to in this document. You should make your own independent assessment of the information.

No Warranties

We makes no warranty, express or implied, nor assumes any responsibility in its contents for its accuracy, completeness, its use for any general of particular purpose, nor that such items or use of such items would not violate or infringe rights of others.

No Offer of Securities

Nothing in this release should be construed as either an offer to sell or a solicitation of an offer to buy or sell Miclyn Express Offshore securities in any jurisdiction.