



# INTRODUCING MERMAID

*ANSWERS TO THE TOP 10  
FREQUENTLY ASKED QUESTIONS  
BY INVESTORS AND THE GENERAL PUBLIC*



**CHALERMCHAI MAHAGITSIRI**  
CHIEF EXECUTIVE OFFICER



## 1. WHAT IS MERMAID'S BUSINESS MODEL?

Mermaid is a leading international subsea and offshore drilling services company. Our corporate headquarters is in Thailand and we are listed on the Singapore Stock Exchange. We have operational bases in Thailand, Singapore, Indonesia, Qatar, Saudi Arabia and the United Arab Emirates.

We provide full turnkey services to oil and gas majors operating offshore through our diversified portfolio of subsea vessels, specialized diving equipment, remotely operated vehicles and drilling and accommodation rigs. We have been in the offshore business for over 30 years and we are today present in five geographical regions with a team of over 1000 professional divers, drillers, technicians, surveyors, management and support staff. Our vision is to be a premium service provider to the offshore oil and gas industry and to constantly deliver enhanced return to our shareholders.

## 2. WHO ARE MERMAID'S TARGET CUSTOMERS?

Mermaid's customers comprise three segments. In the first segment are national oil and gas companies that include Saudi Aramco, Qatar Petroleum, PTT Exploration and Production and Pertamina. The second are international oil and gas majors such as Chevron, BP, Shell and Exxonmobil. The third are major contractors such as Saipem, LS Cable, Bibby and CUEL. We count them all as our regular customers and can service them in South East Asia, Middle East and the North Sea. In fact, 90 percent of our business comes from our repeat customers. We would like to see more business from our existing customers and also from new customers.

We realize that all our customers have invested a lot in their business and desire to find specialized contractors like us to support them to achieve their production targets. Customer satisfaction is key in this business and we treat all customers with the highest degree of care and deliver customized solutions for them to meet their objectives on time, safely, efficiently and within their budget. This work culture has accounted for much of our international successes to date.



## 3. WHAT ARE THE AVERAGE UTILISATION RATES OF MERMAID'S SUBSEA FLEETS AND DRILLING RIGS?

Mermaid's subsea vessels have an average utilization rate of 70 percent which is within industry standards. However, our dive support vessels which deliver more than half of our subsea revenue enjoys average utilization of over 80 percent thus resulting in higher than industry overall returns. Our tender rig 'MTR-2' performs at an average utilization rate of 98 percent at a time when the industry average for this sector is only 67 percent. Our three jack-up drilling rigs in Asia Offshore Drilling also deliver an average utilization rate of 94 percent which is higher than their industry average of 80 percent.

Overall, we are pleased that our assets are utilized at a level that is higher than industry standards. In order to be profitable, we recognize that utilization must also be accompanied by improved profit margins whilst still maintaining safety and efficiency. This is a strategy that we have successfully implemented over the past two years and we are constantly seeing improved bottom line returns as a result of this group-wide effort.

#### 4. WILL MERMAID FOCUS MORE UPON SUBSEA OR DRILLING GOING FORWARD?

Our earnings are generally balanced between our two businesses and we intend to see this balance maintained so that our shareholders can receive a diversified portfolio of returns. To this end, we are constantly looking for opportunistic growth in both our subsea and offshore drilling business that will add to our bottom line results.

To improve Mermaid's future earnings capability, we had in early 2014 placed orders for two new build tender rigs and one new build subsea diving construction and support vessel. These new assets, which will be state-of-the-art at the time of their completion, are scheduled for delivery in 2016.

To further accelerate our growth, we are also studying other strategic options such as mergers and acquisitions. While it is sound business practice to focus on growth to reach one economies of scale after another, we also continue to keep an eye to delivering maximum bottom line results for our shareholders.

#### 5. MERMAID INVESTED IN ASIA OFFSHORE DRILLING IN 2010, HOW IS THIS VENTURE PROGRESSING?

Asia Offshore Drilling owns and operates three high-specification jack-up rigs built in Singapore and delivered in 2013. All three rigs are currently contracted in Saudi Arabia until 2016. The venture with Seadrill, who owns 66.24 percent with Mermaid owning 33.76 percent, has been a successful one to date. These rigs have gone through customization to serve offshore oil and gas fields in Saudi Arabia and we therefore expect all of them to remain on contract for the long term. Our partner Seadrill is one of the largest drilling contractors in the world and we appreciate their professionalism and outlook in this venture that Mermaid started.



#### 6. WHERE IS MERMAID POSITIONED WITHIN THE OIL & GAS INDUSTRY?

Before offshore underground hydrocarbon deposits can be extracted for oil and gas, it must first go through exploration, installation and commissioning which can take between 3-5 years to complete. We offer our customers subsea installation support and cable lay support during this phase. This is followed by the production phase which can last up to 30 years. In this phase, we provide our customers with production drilling and regular survey, inspection, repair and maintenance services. We also offer emergency call out services and salvage services when required. In fact, most of Mermaid's business is in supporting this production phase of the E&P process. It is also traditionally the more stable and long term part of the upstream oil and gas value chain.



## 7. WHAT ARE THE KEY DRIVERS FOR INDUSTRY DEMAND AND SUPPLY?

Population and income growth will be the main driver for increase in energy demand in the long term. By 2030, world population is projected at 8.3 billion which means an additional 1.3 billion will need energy. In particular, emerging economies will account for most of this growth due to their rapid industrialization, urbanization and motorization. We all need energy for power generation, industry and transportation. Renewable energy use will grow but oil and gas are expected to still dominate the energy market. A lower price for oil and gas will make it more affordable for countries that import them.

Supply on the other hand is driven by the ability to produce at a price that is above minimum rate of returns. Although the oil and gas prices have recently weakened to a two year low, typical costs of onshore and offshore oil projects suggest that most existing projects remain profitable at current prices. Because Mermaid operates on the production side of the oil and gas sector, we expect the impact to be soft since the first reaction by oil and gas majors to declining oil and gas prices is to reduce new investments and not existing operations. We may even benefit in the scenario where our customers prefer to enhance oil and gas recovery in existing fields by investing more in maintaining the integrity of their existing subsea infrastructure and drilling more wells from existing platforms rather than to invest in new ones.



## 8. WHAT DIFFERENTIATES MERMAID FROM ITS COMPETITORS?

Mermaid has a track record of successful projects with reputable clients. This is our most valuable asset next to our people. We are also fully compliant with international standards on vessels and equipment which gives us the ability to compete on an international scale. Customers also value us for our excellent health, safety and environment track record. With operational bases in Thailand, Singapore, Indonesia, Qatar, Saudi Arabia, and United Arab Emirates, we have the capability and resources to handle large and small projects as required and are able to quickly respond to customers within the region at all times and in all situations. Putting all this together, we believe we can offer customers the best service at competitive prices. We are proud to have achieved a contract backlog of USD 470 million to date which should provide a steady flow of activity in 2015 and 2016 with still room to grow.



## 9. WHAT ARE THE BIGGEST RISKS FACING YOUR BUSINESS?

Our personnel are our most important asset because nothing can be done without the people behind them. An important factor to Mermaid's success internationally is its ability to recruit, train and retain qualified and experienced personnel. This is a highly skilled business where job mobility is very high for those with the right skills. We are fortunate to have been able to retain our key operations management team over the past few years. Our safety record and family approach to our work culture has also contributed to making Mermaid a choice employer for many.

Health, safety and care for the environment remain our first priority under our Zero Incident Program. As a result, we have received numerous safety awards and commendations from customers over the years. We regularly take a proactive role to addressing our risks and have a robust risk management system in place to address general business risks identified from time to time.

## 10. WHERE DO YOU SEE MERMAID IN FIVE YEARS FROM NOW?

My mission is to see Mermaid achieve its vision to become a premium service provider to the oil and gas industry and to consistently deliver enhanced returns to shareholders. We aim to achieve this by delivering a world class service to the region from within the region. As a major shareholder myself, this vision is particularly important as it is in alignment with all shareholders generally. They constantly remind me and depend on me to see their investment prosper and generate attractive returns over the long term.

Since becoming CEO in 2012, Mermaid has achieved a strategic turnaround in its business expansion and bottom line results thanks to the effort of all our team. Our full year net profits tripled in 2013 compared to 2012 and our net profits in the first nine months of 2014 is already more than double that of what we achieved in 2013. This is a six-fold increase in net profits in less than three years! For the past two years, we also returned to shareholders at least 25 percent of our annual net profits in the form of cash dividends.

I wish to express my heartfelt appreciation to our personnel, business partners, customers and shareholders for all your continued support and confidence in us. The future outlook for Mermaid remains bright and we will ride on the strong gains we have made to date and the successful execution of our plans to build further on them.

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