

Miclyn Express Offshore

FY17 Results Presentation



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Financial Year 2017 Results

	FY17 US\$m	FY16 US\$m	Variance
Revenue	173.8	247.3	-29.7% ↓
Gross Profit	63.9	103.0	-38.0% ↓
<i>Gross Profit Margin</i>	36.8%	41.6%	
SG&A	(16.4)	(20.1)	18.7% ↓
Others	1.2	(0.6)	301.7% ↑
Normalised EBITDA	48.7	82.2	-40.7% ↓
<i>Normalised EBITDA Margin</i>	28.0%	33.3%	
Non-recurring Exceptional Items	(68.4) ¹	(11.9) ²	-472.3% ↓
EBITDA	(19.6)	70.3	-128.0% ↓

Financial Year 2017 Results

	2HFY17 US\$m	1HFY17 US\$m	2HFY16 US\$m	Variance 2HFY17 vs 1HFY17	Variance 2HFY17 vs 2HFY16
Revenue	75.1	98.7	115.7	-23.9% ↓	-35.1% ↓
Gross Profit	26.4	37.5	44.1	-29.6% ↓	-40.2% ↓
<i>Gross Profit Margin</i>	35.1%	38.0%	38.1%		
SG&A	(6.8)	(9.6)	(10.7)	29.4% ↓	36.4% ↓
Others	(0.3)	1.5	(0.9)	-118.1% ↓	71.2% ↑
Normalised EBITDA	19.3	29.4	32.5	-34.2% ↓	-40.5% ↓
<i>Normalised EBITDA Margin</i>	25.7%	29.8%	28.1%		
Non-recurring Exceptional Items	(68.4) ¹	-	(1.4)	NA	-4753.1% ↓
EBITDA	(49.0)	29.4	31.1	-266.8% ↓	-257.7% ↓

- Core fleet revenue decreased due to:
 - Reduced core fleet utilisation 72% (1HFY17: 74%; 2HFY16: 80%)
 - Average 10% reduction in DCRs on a half yearly basis
- Project assets performed consistently in soft market
- Projects contribution decreased due to lower visible stream of lump sum projects in 2HFY17
- Gross profit margin compressed as declining utilisation and DCRs outweigh cost savings
- Significant reduction in SG&A as a result of cost control in response to weak market conditions
- Normalised EBITDA margin decrease driven by lower GP margins
- FY17 exceptional items mainly relate to impairment of AHT, AHTS and multicat fleets and receivable from holding company

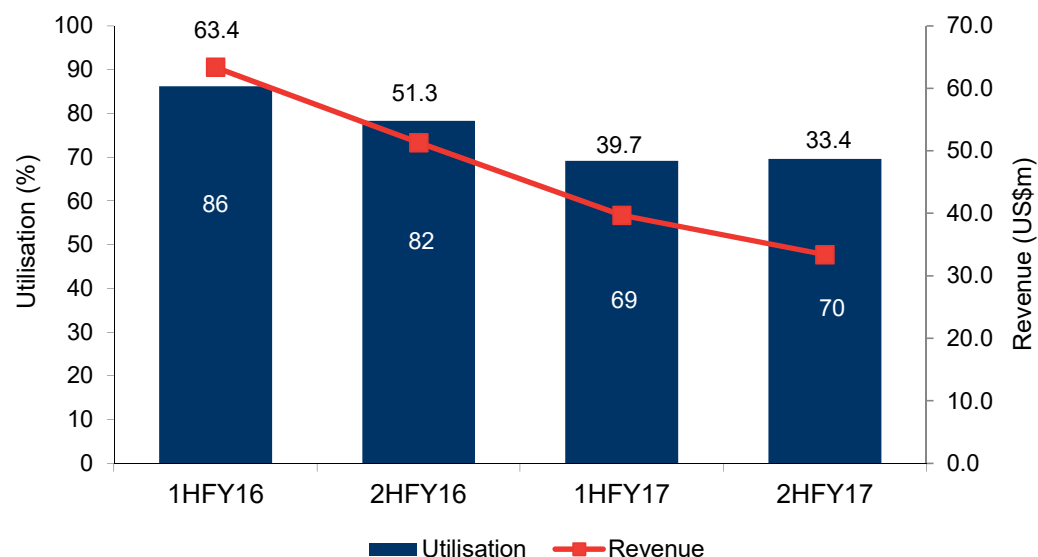
Segment Performance

Offshore Support Vessels (OSVs)

Segment Highlights

- Utilisation stable at 70% throughout FY17
- Utilisation remained low in 2HFY17 with limited subsea projects in progress; challenge remains for the rest of OSVs in an over-supplied market
- Average 13% reduction in DCRs on a half yearly basis for the last two periods

	1HFY16	2HFY16	1HFY17	2HFY17
Revenue (US\$m)	63.4	51.3	39.7	33.4
Opex (US\$m)	(33.0)	(29.9)	(25.2)	(23.2)
Gross Profit (US\$m)	30.4	21.5	14.5	10.2
Gross Margin (%)	48%	42%	37%	31%



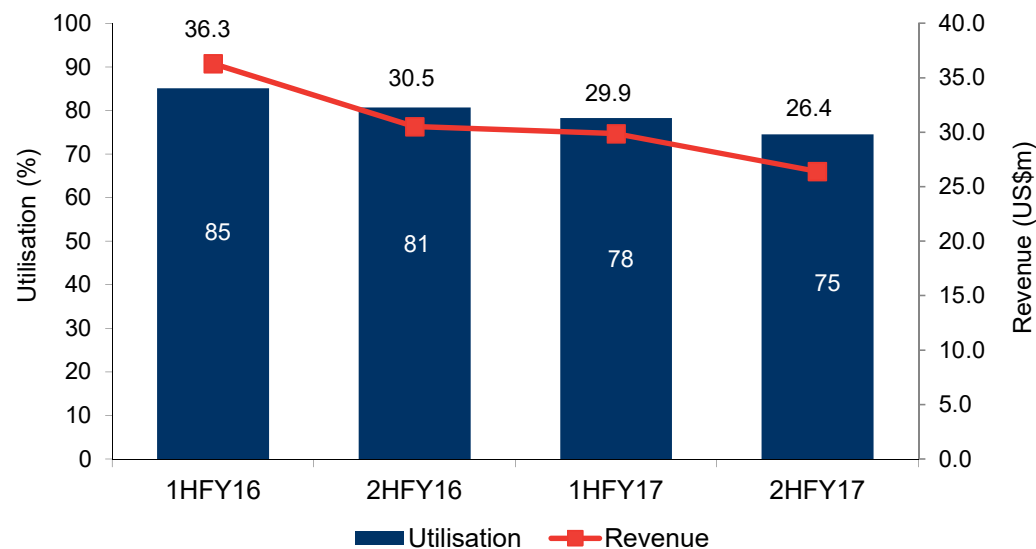
Segment Performance

Crew/Utility Vessels

Segment Highlights

- Utilisation remained stable in a competitive market
- Slight 3% deterioration in DCRs in FY17, mainly in Middle East region

	1HFY16	2HFY16	1HFY17	2HFY17
Revenue (US\$m)	36.3	30.5	29.9	26.4
Opex (US\$m)	(17.6)	(17.7)	(14.5)	(15.7)
Gross Profit (US\$m)	18.7	12.8	15.4	10.7
Gross Margin (%)	52%	42%	51%	41%



Segment Performance

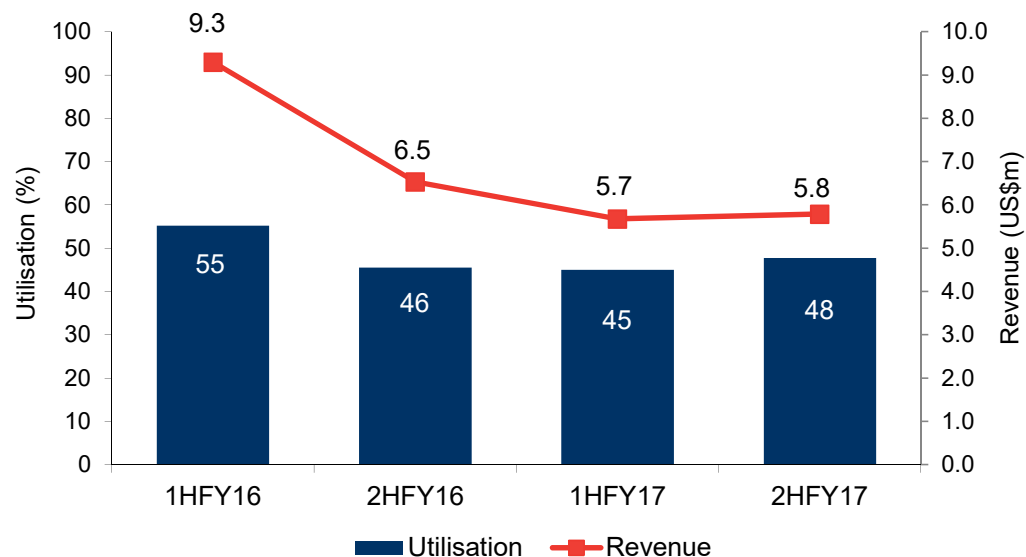
Project Assets

Segment Highlights

- Project assets performed consistently in a soft market
- Barges:
 - Utilisation increased to 54% in 2HFY17 compared to 48% in 1HFY17
 - DCRs reduced by 19% from 2HFY16; remained flat through FY17



	1HFY16	2HFY16	1HFY17	2HFY17
Revenue (US\$m)	9.3	6.5	5.7	5.8
Opex (US\$m)	(3.3)	(1.7)	(2.3)	(2.4)
Gross Profit (US\$m)	6.0	4.8	3.3	3.4
Gross Margin (%)	65%	74%	59%	59%



Segment Performance

Lump Sum Projects

Segment Highlights

- Revenue reduced in 2HFY17 mainly due to reduced project activity in current market

	1HFY16	2HFY16	1HFY17	2HFY17
Revenue (US\$m)	23.2	29.8	23.6	10.1
Opex (US\$m)	(19.6)	(24.7)	(19.3)	(8.0)
Gross Profit (US\$m)	3.7	5.0	4.3	2.1
Gross Margin (%)	16%	17%	18%	18%



Market Outlook

Market Outlook

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



Weathering the Storm ...

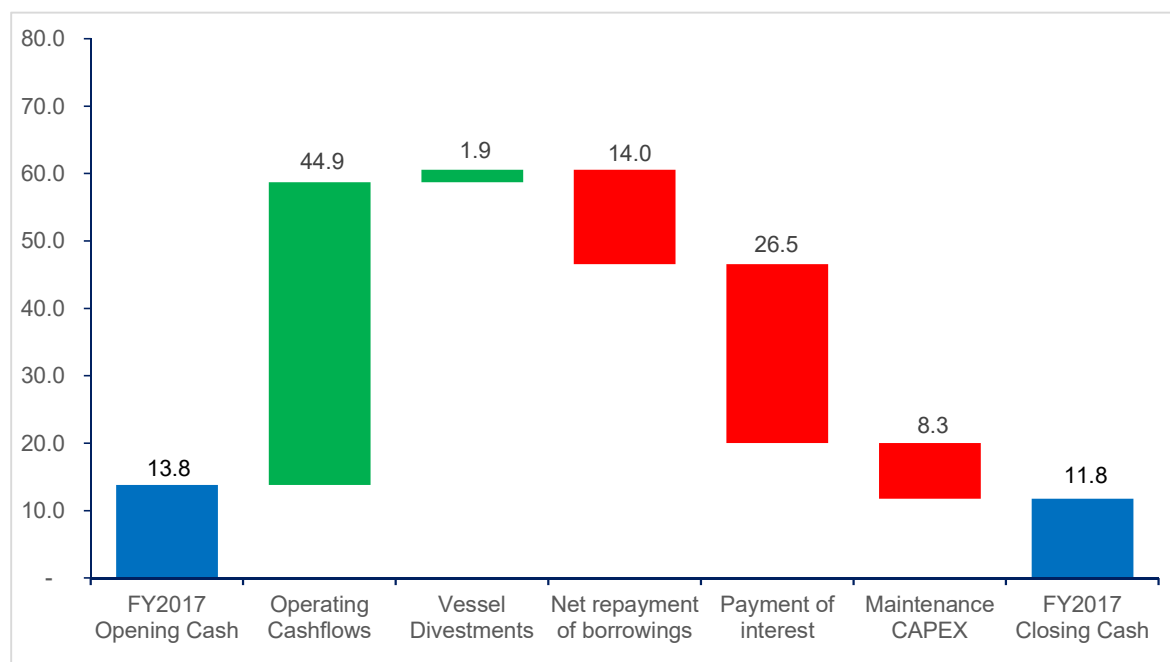
- Focus remains on more resilient shallow water production related activities
- Maintain current utilisation levels by leveraging strategic customer relationships
- Continue driving internal efficiencies to preserve margins
- Explore new market opportunities



Finance Update

- Marginal reduction in maintenance CAPEX as a result of continuous cost rationalisation achieved without compromising operational excellence
- Gearing ratio increased in 2HFY17 after annual impairment of AHT, AHTS and multicat fleets and receivable from holding company
 - Gearing of 2HFY17 would be 56% if impairment was excluded
- The Group is currently working with its primary 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

	1HFY16	2HFY16	1HFY17	2HFY17
Net Debt (US\$m)	473.9	464.3	454.6	453.9
Gearing (%) ¹	54.8%	54.6%	54.9%	61.3%
Cash Balance (US\$m)	41.0 ²	13.8	9.9	11.8



Summary



Clear strategy



Proven Operational Excellence



Solid execution capability



Appendix 1

Statement of Financial Performance

US\$m	FY17 (Equity)	Adjustments for Equity Accounting	FY17 (Proportionate)	FY16 (Proportionate)	Variance %
Revenue	161.1	12.8	173.8	247.3	-30%
Operating Costs	(106.7)	(3.3)	(109.9)	(144.3)	-24%
Gross Profit	54.4	9.5	63.9	103.0	-38%
<i>GP Margin</i>	33.8%		36.8%	41.6%	
Other Income	0.9	0.3	1.2	0.9	28%
Overheads	(14.6)	(1.8)	(16.4)	(20.1)	-19%
Forex	(0.2)	0.4	0.2	0.2	-8%
Operating Earnings	40.5	8.4	48.9	84.0	-42%
Gain/(loss) on disposal of vessels	0.1	(0.2)	(0.1)	(1.8)	-92%
Normalised EBITDA	40.6	8.2	48.7	82.2	-41%
<i>Normalised EBITDA Margin</i>	25.2%		28.0%	33.3%	
Non-recurring Exceptional Items	(68.4) ¹	-	(68.4) ¹	(11.9) ²	472%
EBITDA	(27.8)	8.2	(19.6)	70.3	-128%
<i>EBITDA Margin</i>	-17.3%		-11.3%	28.4%	-140%
Depreciation & Amortisation	(38.1)	(3.9)	(41.9)	(43.4)	-3%
EBIT	(65.9)	4.3	(61.6)	26.9	-329%
Net Finance Costs	(29.5)	(0.2)	(29.7)	(30.2)	-2%
Upfront fees write off	0.0	0.0	0.0	(13.9)	-100%
Share of profit from joint ventures	3.7	(3.7)	-	-	NM
PBT	(91.6)	0.4	(91.2)	(17.1)	433%
Income Tax Expense	(4.6)	(0.4)	(4.9)	(4.6)	8%
Income Tax Expense Rate	-2.8%		-2.8%	-1.8%	
PAT	(96.2)	0.0	(96.1)	(21.7)	343%
Minority Interest	(1.1)	0.0	(1.1)	(1.0)	8%
PATMI	(97.3)	0.0	(97.3)	(22.7)	328%
<i>PATMI Margin</i>	-60.4%		-56.0%	-9.2%	
NORMALISED PATMI	(28.9)	0.0	(28.9)	3.1 ³	-1038%
<i>NORMAPATMI Margin</i>	-18.0%		-16.6%	1.2%	

Appendix 2

Statement of Financial Position

(US\$'000)	As at 30 Jun 2017 (Equity)	Adjustments for Equity Accounting	As at 30 Jun 2017 (Proportionate)	As at 30 Jun 2016 (Proportionate)
Current assets				
Cash and cash equivalents	11.8	7.4	19.2	22.7
Trade receivables	55.5	1.5	57.1	59.4
Other receivables and prepayments	14.5	4.3	18.8	23.2
Loan to immediate holding company	-	-	-	139.2
Inventories	6.0	0.6	6.5	6.4
Assets classified as held for sale	0.6	-	0.6	1.6
Total current assets	88.4	13.8	102.2	252.4
Non-current assets				
Property, plant and equipment	499.1	67.3	566.3	657.4
Investment in joint ventures ¹	78.4	(78.4)	-	-
Loan to immediate holding company	127.4	11.8	139.2	-
Other intangible assets	0.1	-	0.1	0.2
Goodwill	32.8	0.8	33.7	33.7
Other non current assets	4.6	-	4.6	2.7
Total non-current assets	742.4	1.5	743.9	694.1
TOTAL ASSETS	830.8	15.2	846.1	946.5
Current liabilities				
Trade and other payables	70.7	(2.2)	68.5	65.5
Current tax payable	3.9	0.1	4.1	2.9
Borrowings	26.2	3.2	29.3	37.5
Other liabilities	-	-	-	0.2
Total current liabilities	100.8	1.1	101.9	106.1
Non-current liabilities				
Borrowings	291.8	3.3	295.1	306.5
Senior secured guaranteed bonds	147.8	-	147.8	146.2
Other non-current liabilities	3.7	-	3.7	2.3
Total non-current liabilities	443.2	3.3	446.5	455.0
TOTAL LIABILITIES	544.0	4.4	548.4	561.1
NET ASSETS	286.8	10.9	297.7	385.4
Shareholders equity				
Other equity reserves	142.3	(9.6)	132.7	133.2
Translation reserve	(14.0)	2.1	(11.9)	(9.7)
Retained earnings	155.0	18.4	173.4	259.5
Minority interests	3.5	-	3.5	2.4
TOTAL EQUITY	286.8	10.9	297.7	385.4

Appendix 3

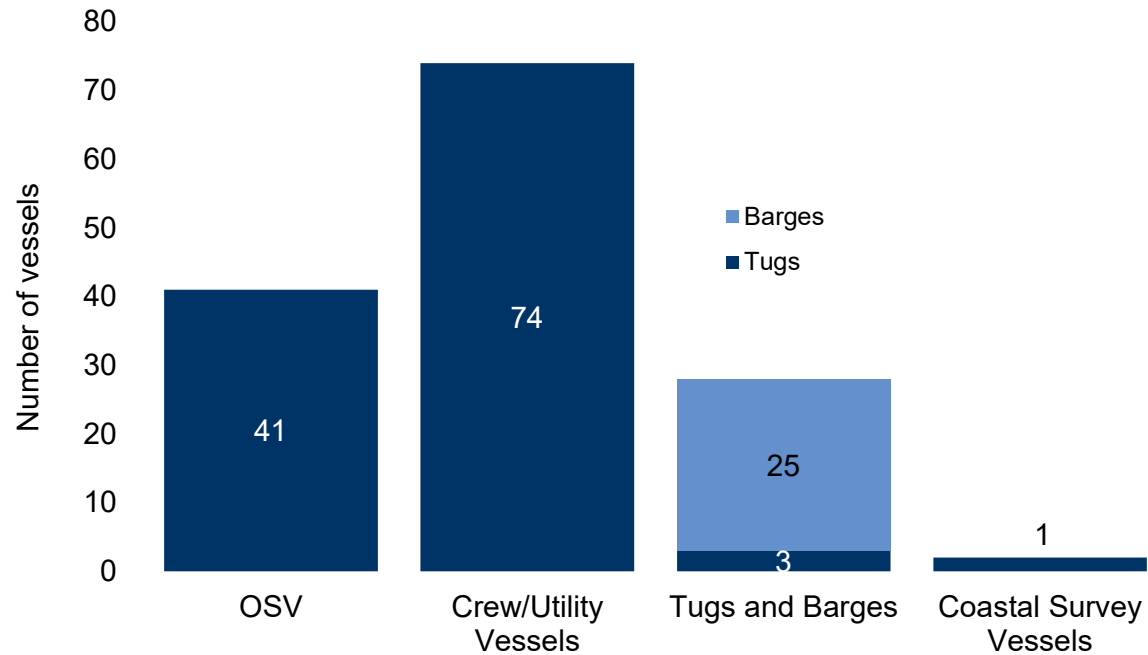
Segments

(US\$m)	FY17 Revenue	FY17 Gross Profit
OSVs	73.1	24.7
Crew/Utility Vessels	56.3	26.0
Project Assets	11.5	6.7
Lump Sum Projects	33.7	6.4
Elimination ¹	(0.8)	0.0
Total	173.8	63.9

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

Appendix 4

Fleet Composition as at 30 Jun 2017¹



- No vessels under construction / to be delivered

Appendix 5-1

Key Audit Matters¹

Key Audit Matters

Impairment review of vessels

The Group has significant property, plant and equipment which comprises mainly vessels and its related capitalised expenditures, which collectively represents 59% of the Group's total assets as at 30 June 2017.

Management believes that given the current prolonged market conditions in the industry, and where charter rates and utilisation rates have significantly reduced compared to prior periods, these are indicators that vessels may be impaired. Management has performed an impairment review to determine the recoverable amounts of the vessels, which are based on the higher of fair value less cost to sell and value in use.

The valuation process to determine the value in use involves significant judgement and estimates in determining the appropriate assumptions and inputs to be applied in the impairment review exercise. Such key estimates include future charter rates, utilisation rates and discount rate.

As a result of the impairment review, the Group recognised an impairment loss of US\$56,559,000 during the financial year ended 30 June 2017.

The key assumptions to the impairment review are disclosed in Note 21 to the consolidated financial statements.

Our audit performed and responses thereon

Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. We performed the following procedures:

- engaged our valuation specialists to independently develop expectations for the key macro-economic assumptions used in the impairment analysis, in particular the discount rate, and compared the independent expectations to those used by management;
- challenged the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations; and
- by reference to prior years' forecasts, where relevant, assessed whether the Group had achieved them.

We considered the adequacy of the disclosures in the consolidated financial statements in respect of impairment of vessels.

Appendix 5-2

Key Audit Matters¹

Key Audit Matters

Our audit performed and responses thereon

Recoverability of loan to immediate holding company

As at 30 June 2017, the Group has a loan receivable of US\$139,165,000, before any impairment, from its immediate holding company. The shareholders of its immediate holding company have represented that the amount is anticipated to be repaid from the proceeds arising from the sale of their interest in the Company in the future.

The recoverability of the loan to the immediate holding company is dependent on the ability of the Group to continue operations as a going concern, the final outcome of the Debt Restructuring exercise disclosed in Note 1 to the consolidated financial statements, and the expected valuation of the Group when the sale of the Company by the immediate holding company takes place.

The management has determined the valuation of the Group, taking into consideration the expected timeframe on the sale of the Company, the expected outcome of the Debt Restructuring, the amount and timing of future cash flows, the forecasted EBITDA, the expected enterprise value multiple and the expected future industry conditions and outlook. Such valuation thus requires significant management judgement and estimates.

Based on the valuation performed by the management, the Group recognised an impairment loss of US\$11,800,000 during the financial year ended 30 June 2017 (Note 16).

Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. We performed the following procedures:

- read the loan agreement between the Company and its immediate holding company;
- read the letter from the shareholders of the immediate holding company on their plan for repayment;
- challenged the assumptions used in the valuation of the Group for the impairment analysis and compared the independent expectations to those used by management and the shareholders of the immediate holding company; and
- challenged the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations.

We considered the adequacy of the disclosures in the consolidated financial statements in respect of impairment review of the loan to immediate holding company.

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