



# Mermaid Maritime Plc.

## Corporate Presentation

FY2015 Shareholders Forum  
Singapore, 31 March 2016



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# Agenda

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- 1. Mermaid Business Overview**
- 2. Market Review**
- 3. Financial Review**
- 4. Business Outlook**



# **Mermaid Business Overview**

# Who We Are & Our Leadership

***We are one of the world's largest offshore oil and gas diving services companies***



☑ **A leading international specialist subsea and drilling services company listed on the Singapore Stock Exchange.**

☑ Owner and operator of a diversified portfolio of subsea vessels and drilling rigs providing a complete suite of turnkey services.

☑ Quality customer base and competitive contract backlog providing earnings visibility.

☑ Excellent operational performance and proven track record with further opportunities for growth.



**Mr. Prasert Bunsumpun**  
***Chairman of the Board***

Over 30 years experience in the offshore oil and gas industry.

Distinguished career includes CEO of PTT Plc. and Chairman of PTT Exploration and Production Plc., Thailand's national oil and gas company.



**Mr. Chalermchai Mahagitsiri**  
***Executive Vice Chairman & Chief Executive Officer***

CEO of family holdings PM Groups Co. Ltd.

Proven track record of successfully managing and growing a variety of businesses including coffee, steel, copper, shipping, media, entertainment, resorts and golf courses.



# We have a global footprint and a large asset base



**32**  
years since Mermaid  
Maritime's  
establishment



**1000+**  
skilled divers, crew,  
technicians, support  
service providers & management



**12**  
subsea vessels\*



**6 + 17**  
saturation and  
air diving systems



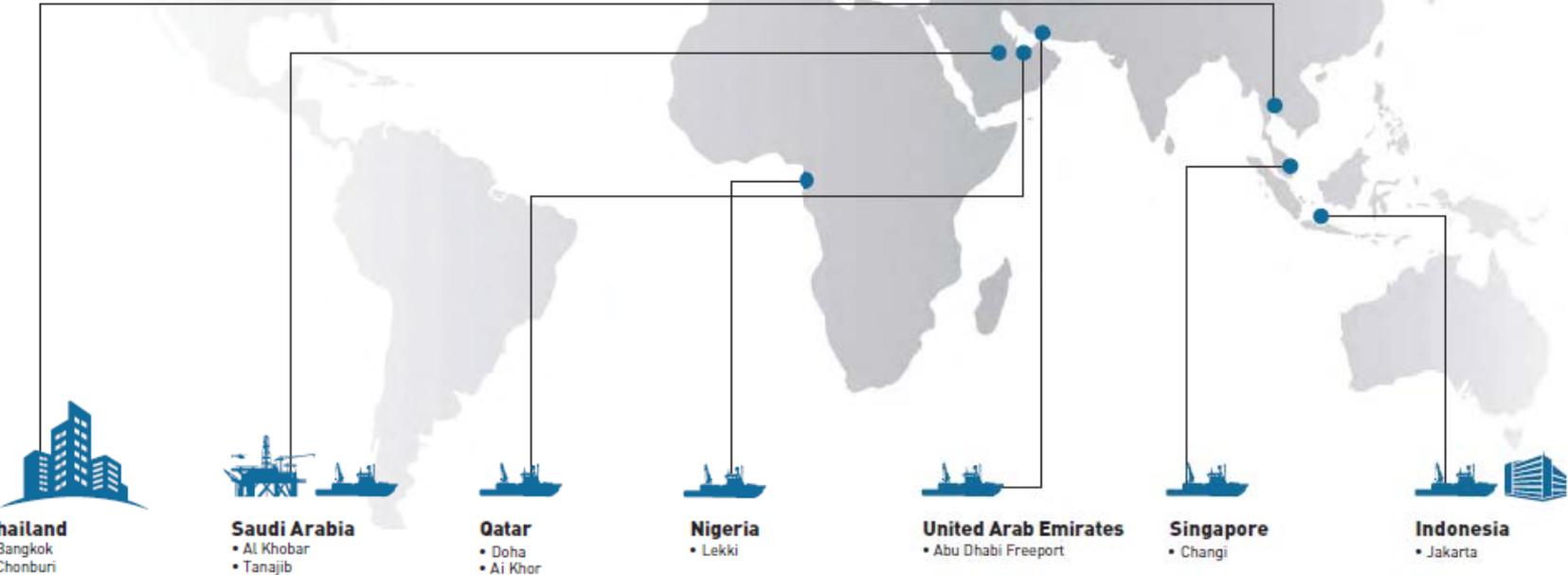
**15**  
remotely  
operated vehicles



**4**  
tender rigs\*\*



**3**  
high-spec  
jack-ups\*\*\*

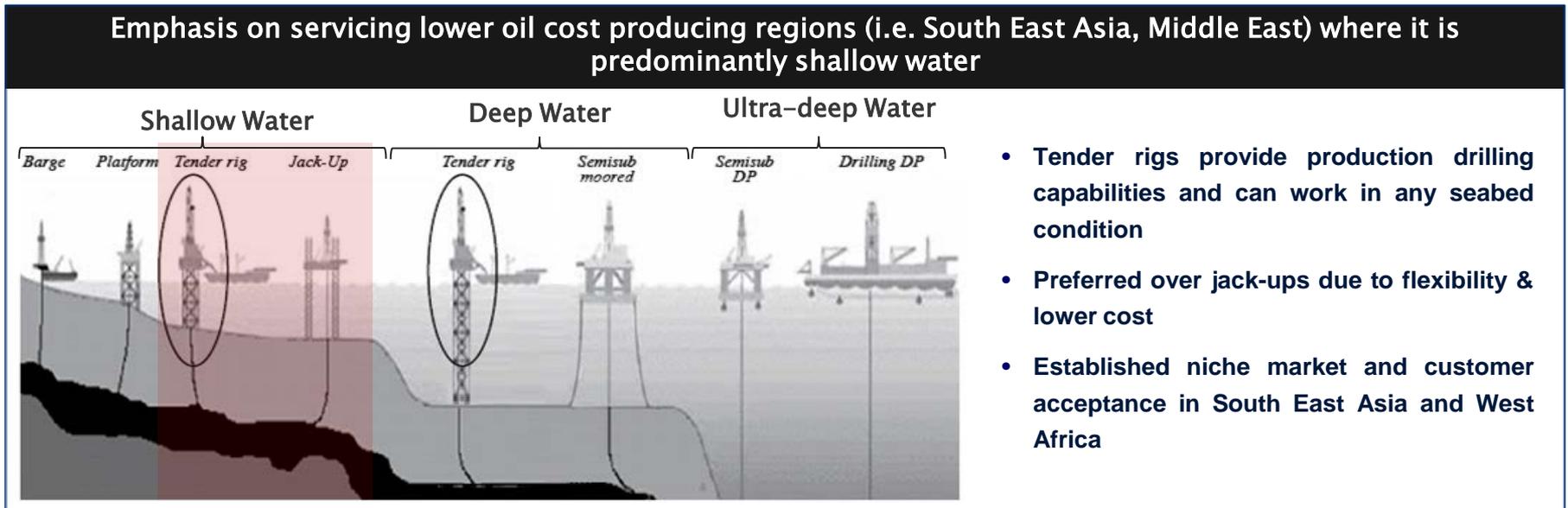
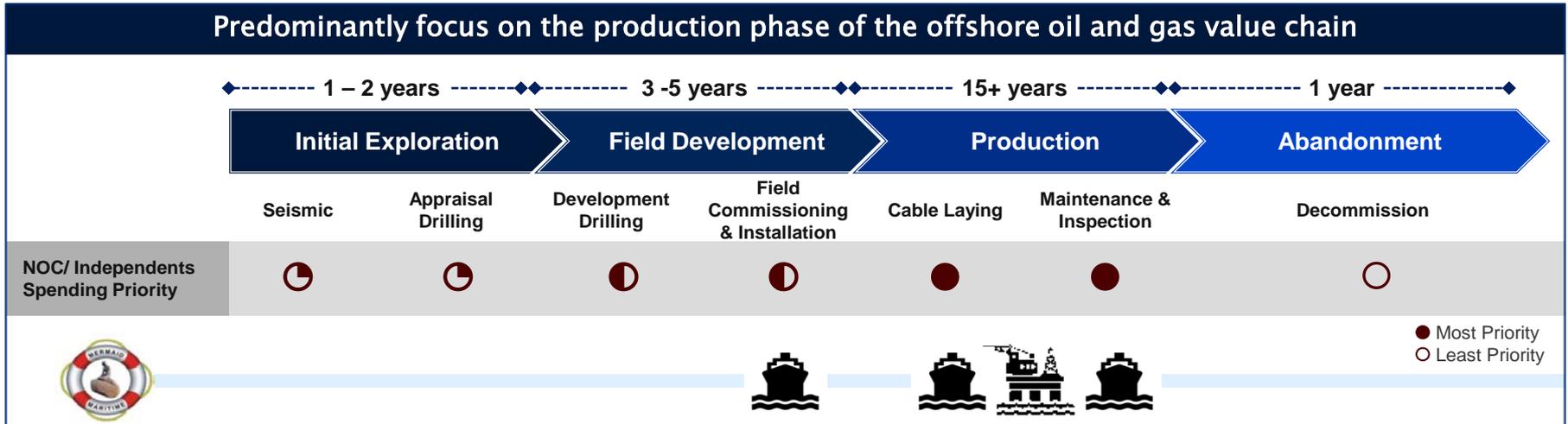


\* Includes 1 subsea vessel under construction and 5 subsea vessels on chartered-in

\*\* Includes 2 tender rigs under construction

\*\*\* 33.76% ownership through Asia Offshore Drilling Limited

# Our emphasis is on servicing lower oil cost producing areas, predominantly shallow waters





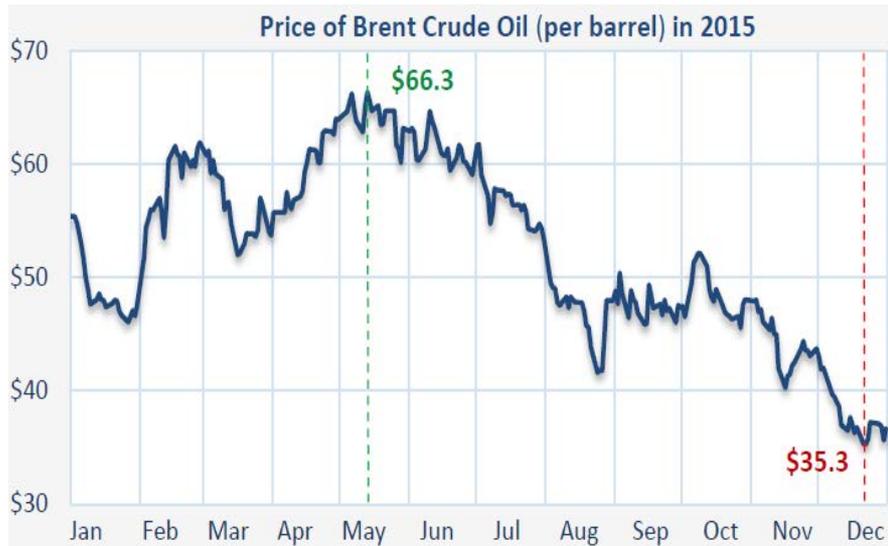
# Market Review

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# 2015 has been a challenging year for the Oil & Gas industry

## Continuous decline in oil prices ...

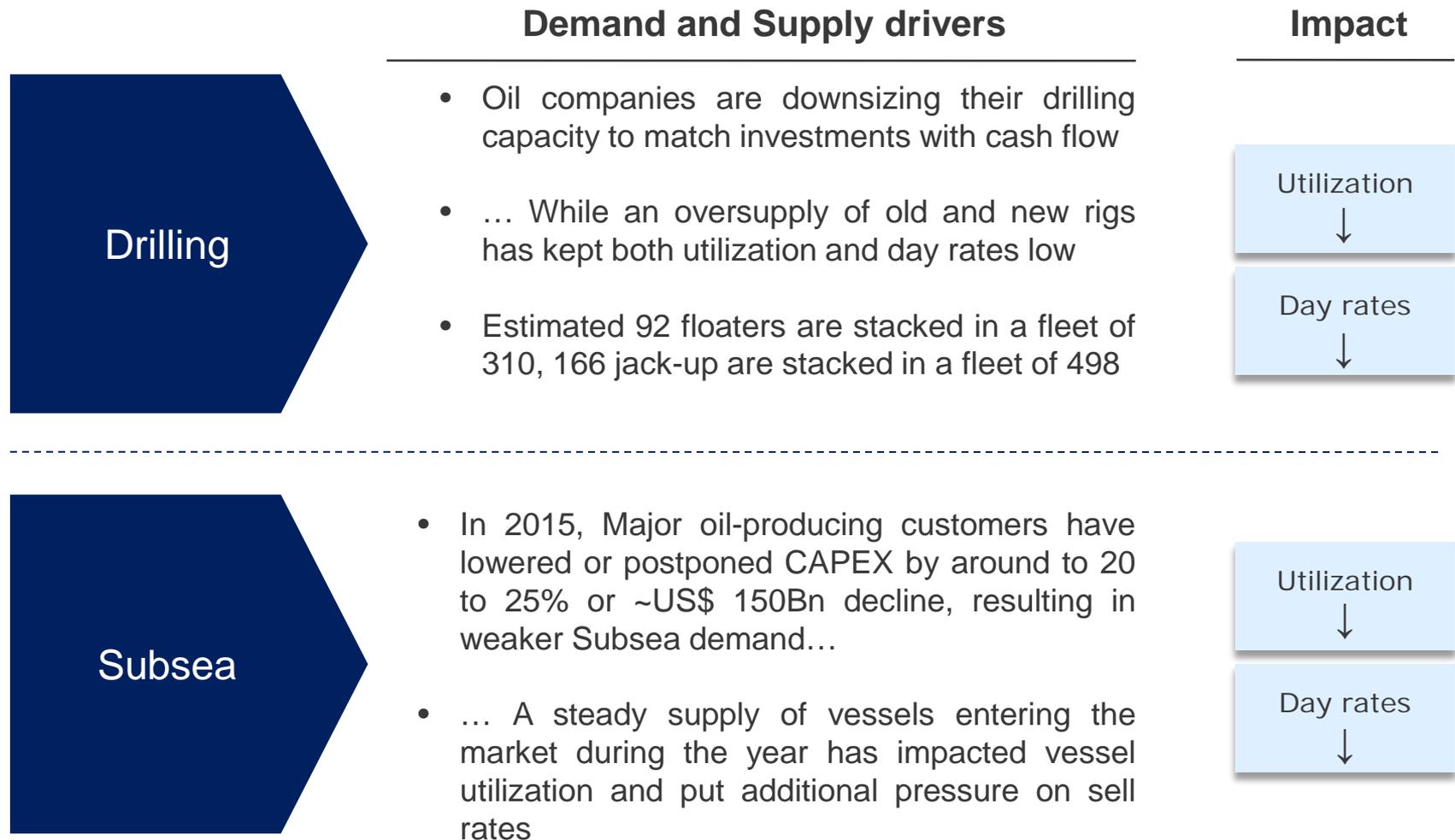


## ... Driven by oversupply & lack of demand

- *China's economic slowdown* - Has curbed appetite for commodities in general
- *Saudi Arabia's protection of market share* – Produces a 1/3<sup>rd</sup> of OPEC output and is keener on preserving its market shares than it is on cutting production to boost prices
- *Rise of the US shale oil* - US now import less oil, adding to the glut on world markets



# Mermaid's core businesses have not been immune to these global currents



Source: Pareto Securities; The Global Subsea Market Report 2016



# Well known Subsea names have gone out of business

Hallin Marine: Diving/ ROV with focus in Southeast Asia  
**After failing to sell, owner Superior Energy chose to liquidate in Oct 2014**

Reef Subsea: Cable laying specialist with focus in North Sea  
**Filed for bankruptcy in Feb 2015**

Endeavour International, a Houston-based oil and gas company  
**Filed for Chapter 11 bankruptcy protection**

Cal Dive International: Diving/ ROV, pipe lay with focus in North America  
**Filed for Chapter 11 bankruptcy protection in Mar 2015**

# In light of outlook, we recalibrated our Strategy

## 2-pronged strategy

### Description

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#### ***Strengthen the Core***



- Short term / tactical approach
- Driven by two essential pillars
  - Revenue protection
  - Cash preservation
- Supported by a solid foundation of a streamlined and standardized organization

#### ***Position for Growth***



- Longer-term strategy
- Based on a gradual and focused value chain move to higher value engineering driven segments i.e. Cable Lay business
- We are also in the initial states of implementing selective geographical expansion program

Implementation of Strategy delivered promising results



# **Financial Review**

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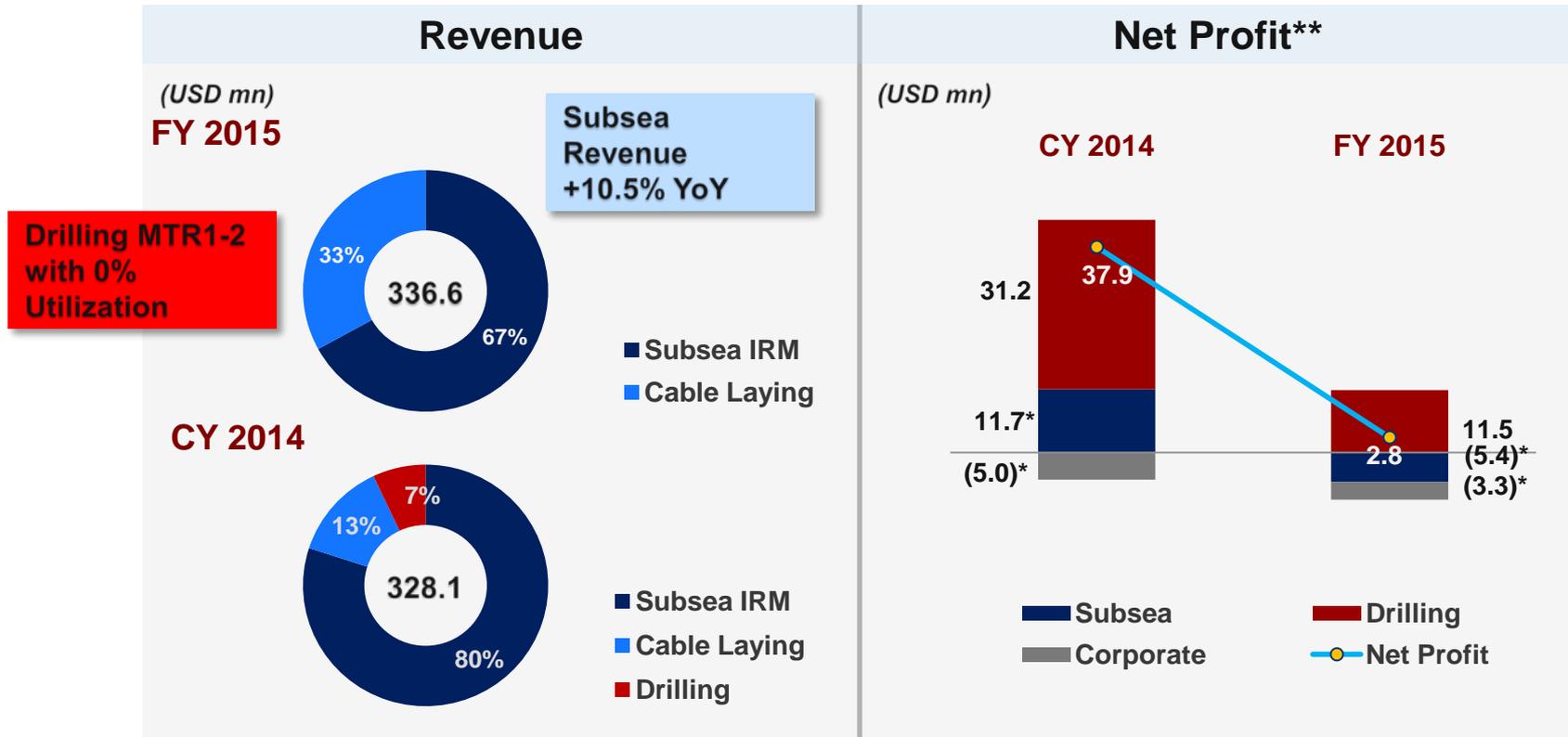
# In FY15, Mermaid showed positive EBITDA & Net Profits before Impairment/Extra. Items

USD mn	FY 2015	CY 2014	Δ %
Turnover	336.6	328.1	2.6
EBITDA *	<b>18.9</b>	45.7	(58.6)
Profit from Operations (excluding non-recurring items)	6.7	47.0	(85.7)
Profit from Operations	(227.4)	45.5	(599.8)
EBIT	(177.0)	14.5	(1,320.7)
Associates & JV Equity Income	(50.4)	31.0	(262.6)
Finance Cost	(3.4)	(3.7)	(8.1)
Profit before Tax	(230.8)	41.8	(652.2)
Tax	(0.5)	(5.5)	(90.9)
Net Profit (excluding non-recurring items)	<b>2.8</b>	37.8	(92.6)
Net Profit	(231.3)	36.3	(737.2)
EPS (US cents)	(16.2)	2.6	(723.1)

\* Excluding impairment loss



# Subsea was the main revenue growth engine – Drilling faced challenges



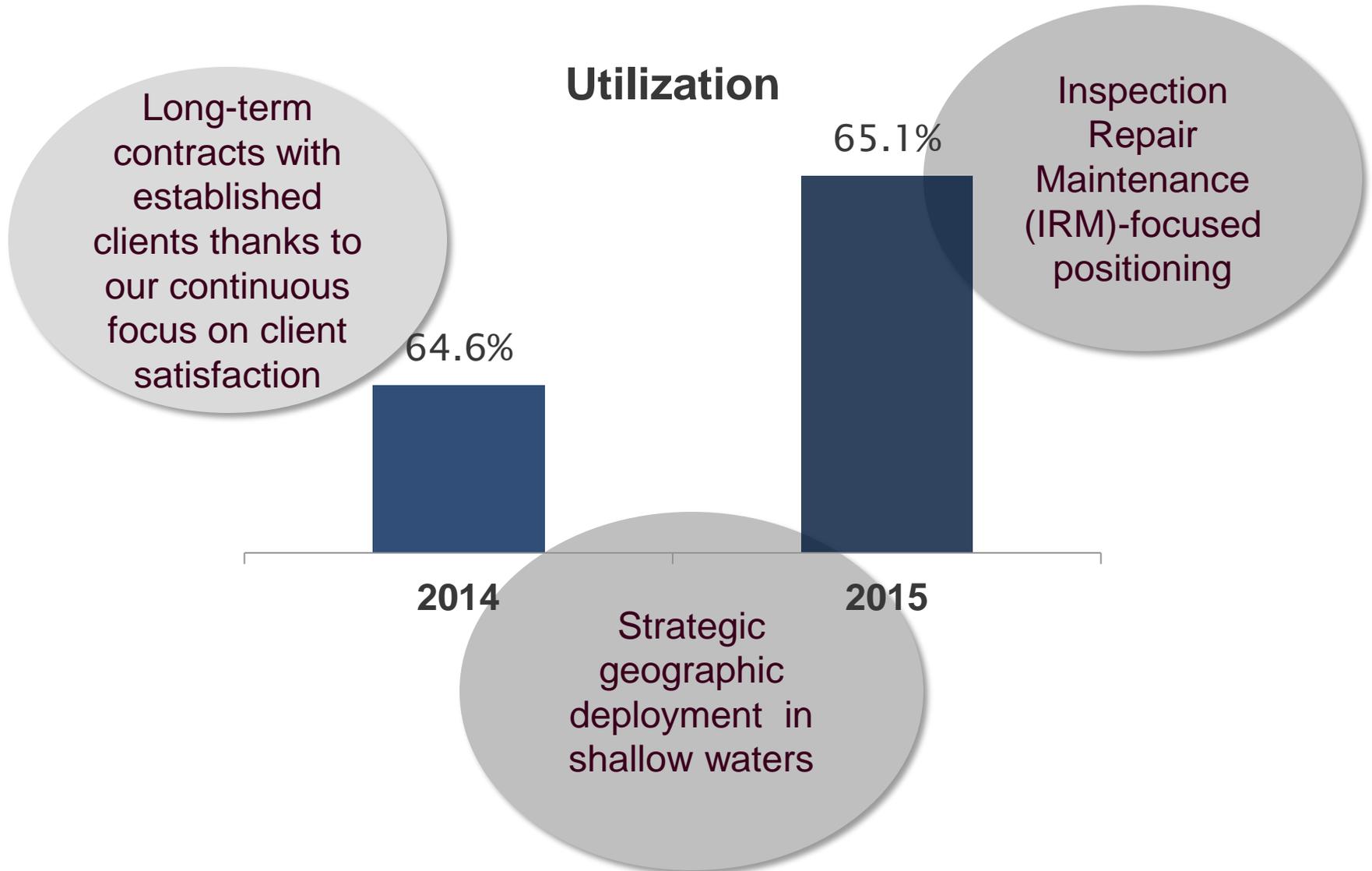
\* Adjusted for group internal FX translation loss of USD 15.4m booked under corporate (FX gain for subsea) in FY2015 and USD 6.8m in CY2014 for Thai-denominated debt by holding company (corporate) to subsea subsidiary

\*\* Excluding impairment loss and extraordinary item



# We saw a year-on-year increase in average utilization of subsea owned assets

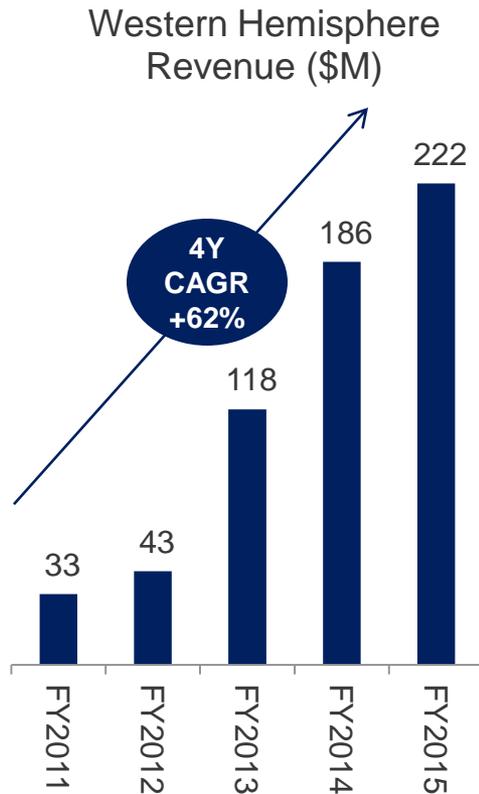
## Utilization





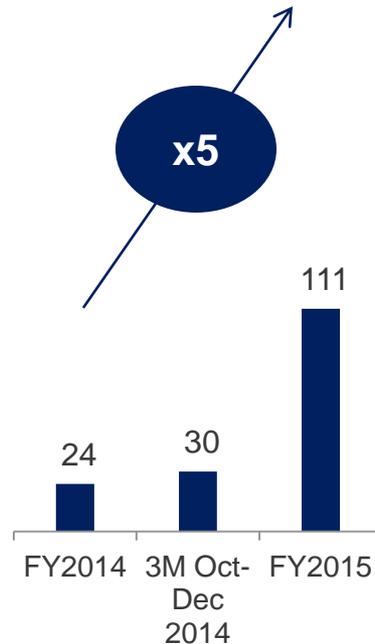
# Subsea: Western Hemisphere remains on high growth trajectory

## Strong Revenue Growth

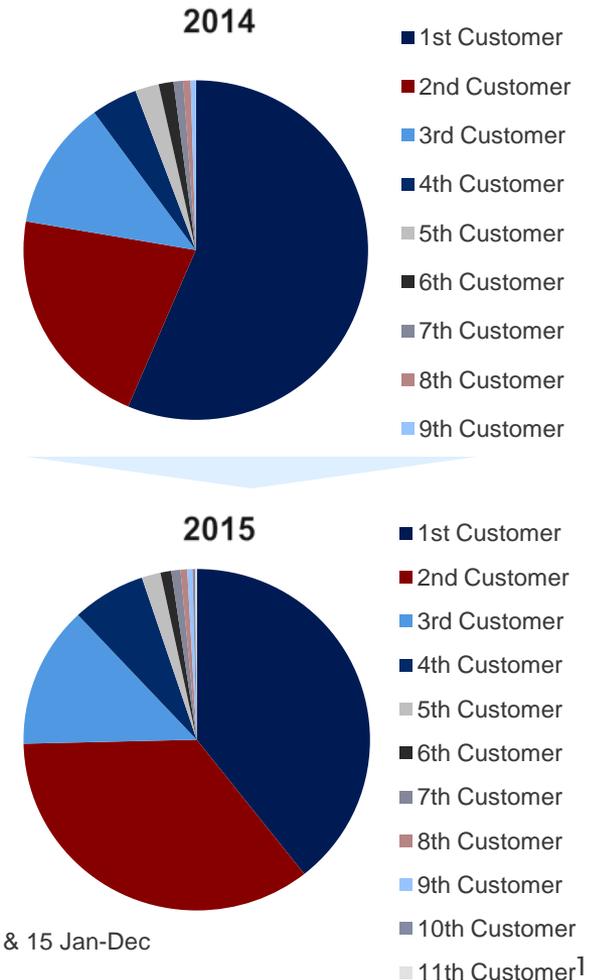


## Boosted by Cable Lay last 2Y

Cable Lay Revenue (\$M)



## And increasingly diversified revenue base

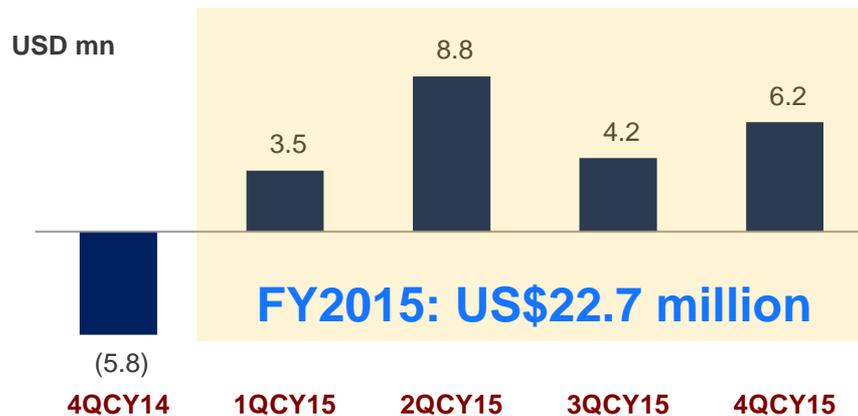


Note: FY11-13 Oct-Sep / FY14 & 15 Jan-Dec



# Cable Laying: 4<sup>th</sup> consecutive quarter of positive contribution

## Contribution Margin



- Cable laying business continues to perform well
- Solid client traction; new enquiries for prospective contracts
- Better execution post initial steep learning curve, and as the group tightened project and risk management process
- Offers diversification opportunity beyond Oil and Gas

Project Names:	Operation Time line
1. Saipem Wasit Cable lay Supporter	Aug'14 - Jan'15
2. LS Cable lay	
- Daya II 1st Line	Sep'14 - Jan'15
- BE808 2nd Line	Apr'15 - Jul'15
- BE808 Protector Shell	Aug'15 - Oct'15
3. Saipem UMB Umbilicals	Dec'14 - Mar'15
4. Saipem DSV (BE806)	
- Phase 1	Oct'14 - Dec'14
- Phase 2	Feb'15 - Jul'15
5. Saipem 3PDM (Mubarak Supporter)	Feb'15 -Jul'15
6. McDermott Mubarak Supporter	Aug'15 - Dec'15

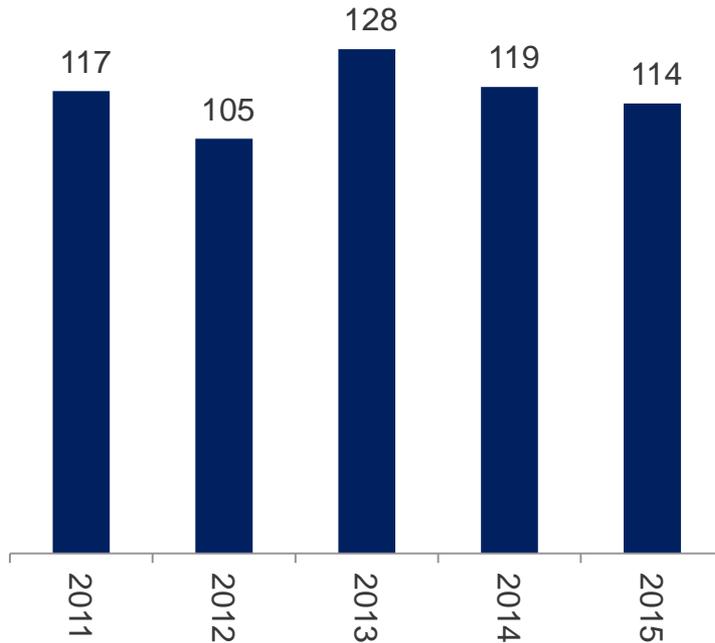


# While revenue of East comparatively more stable

## FY15 Gross profit impacted by Windermere

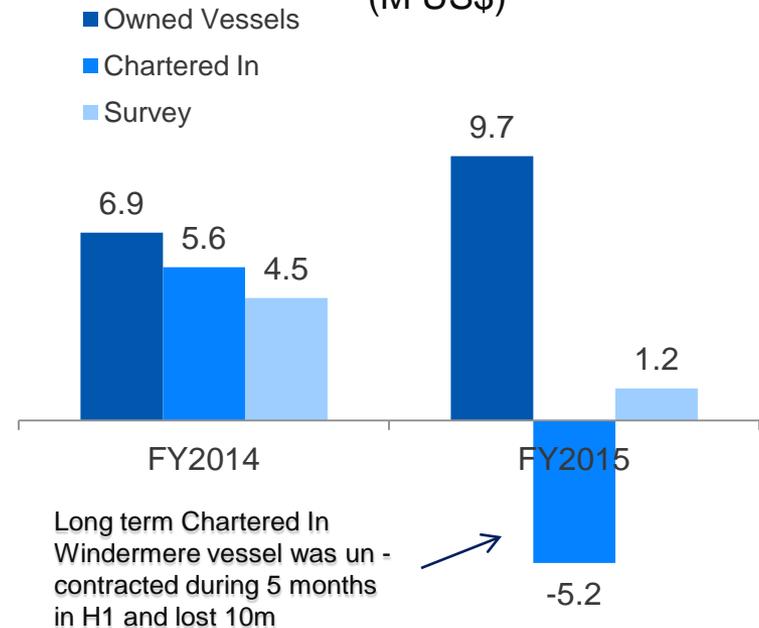
### Stable Revenue

Eastern Hemisphere Revenue  
(M US\$)



### FY15 Gross Profits impacted by Windermere

Gross Profits  
(M US\$)



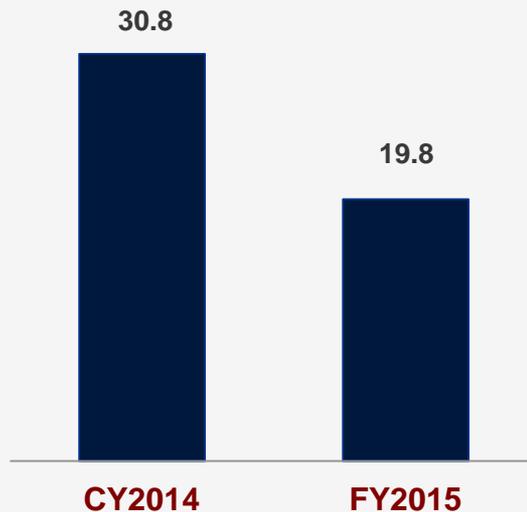
Risk Management measures now implemented to mitigate exposures on long term chartered in vessels



# Excluding impairment & extraordinary item, AOD would have contributed 19.8m despite rate reduction

## Lower Drilling Earnings

(USD mn)



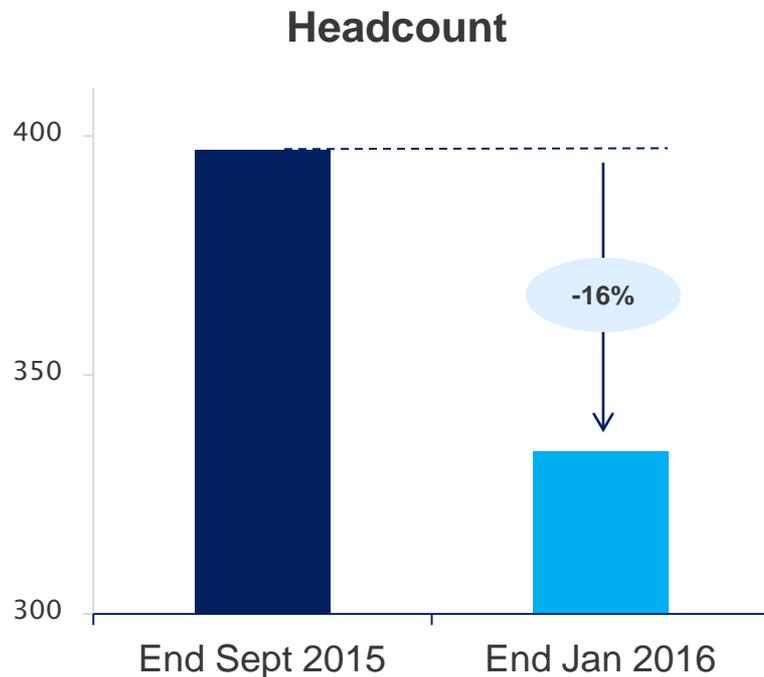
Note: exclude impairment and extraordinary

- Average utilization remains high; 100% in 4Q2015 and 98% for the year 2015
- Rate reduction effective on 1<sup>st</sup> of April and resulting bareboat charter decrease led to USD (9)Mn loss sharing in Q4 (retroactive adjustment)
- Extraordinary items booked in Q4
  1. \$65mn non-cash share of loss on impairment
  2. \$5.7mn loss on previous year equity dilution



# Implementation of costs savings initiatives accelerated

## Organization Rightsizing



## Comments

- Headcount adjusted to reflect level of activity
- Continued consolidation and integration of both Western and Eastern Hemispheres' operations to reduce overheads and increase productivity
- Reorganize around efficiency and talent retention

Note: Figures based on headcount on payroll



# In line w/ principles of transparency & as required by accounting standards, we conducted an impairment test

## Accounting standards

Standards require to conduct impairment review if any indication of potential impairment

Review performed by **comparing Net Book Value ('NBV') w. Recoverable amount**

**Recoverable amount** is determined by **higher of**

- Fair value less cost to sell ('FVLCTS') and
- Value in use ('ViU')

ViU calculated using a Discounted Cash Flow model ('DCF') over life time of asset

## Outlook

O&G industry continues to experience significant challenges in light of the current oil price

Continued reduced oil and gas spending, activity and contract awards anticipated across the subsea and offshore drilling services

Supply and demand imbalance will continue to put pressure on utilization and pricing

## 3<sup>rd</sup> Party Review & Total Result

We engaged an International Accounting Firm, one of Big 4, to review our impairment test methodology and assumptions

Following

- (i) Management's analysis
- (ii) 3<sup>rd</sup> party review by an international accounting firm, one of Big 4, and
- (iii) Validation from External Auditor,

we booked **total 228.5m non-cash provisions for impairment on assets as well as share of losses in AOD driven by a similar impairment exercise**



# The Group remains Operating Cash Flow positive

USD mn		FY 2015	CY 2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
	Before Changes in Working Capital	34.4	51.8
	Changes in Working Capital	(18.0)	(3.7)
	Tax Paid	(6.6)	(10.4)
	Others	(3.6)	(3.7)
		<b>6.2</b>	<b>34.0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
	Dividend and Interest received	7.0	0.4
	Capital Expenditure, Investments and Deposit	(26.6)	(86.8)
		<b>(19.6)</b>	<b>(86.4)</b>
<b>FREE CASH FLOW</b>			
		<b>(13.4)</b>	<b>(52.4)</b>

Mainly due to decrease in payables in Western Hemisphere (on-going large cable lay projects end 2014)

25M of DD Capex

# Our balance sheet has healthy liquidity and limited leverage



USD mn	31 Dec 2015	31 Dec 2014	Δ (%)
Current Assets	199.0	228.8	(13.0)
Non-Current Assets	300.8	534.5	(43.7)
<b>Total Assets</b>	<b>499.8</b>	<b>763.3</b>	<b>(34.5)</b>
Current Liabilities	172.9	87.4	97.8
Non-Current Liabilities	5.9	110.0	(94.6)
<b>Total Liabilities</b>	<b>178.8</b>	<b>197.4</b>	<b>(9.4)</b>
<b>Total Equity</b>	<b>321.0</b>	<b>565.9</b>	<b>(43.3)</b>
Property, Plant and Equipment	214.3	378.3	(43.4)
Bank Balances, Deposits & Cash	63.3	93.4	(32.2)
Total Borrowings	107.4	112.7	(4.7)

USD mn	31 Dec 2015	31 Dec 2014	30 Sep 2014
<b>Interest Bearing Debt</b>			
Asset-backed Financing	97.4	103.3	107.3
Unsecured Loan	10.0	9.4	10.1
	<b>107.4</b>	<b>112.7</b>	<b>117.4</b>
<b>Cash and Cash Equivalent</b>	<b>(63.3)</b>	<b>(93.4)</b>	<b>(84.9)</b>
<b>Net Debt / (Cash)</b>	<b>44.1</b>	<b>19.3</b>	<b>32.5</b>
<b>Shareholder Funds</b>	<b>321.0</b>	<b>565.9</b>	<b>561.8</b>
<b>Net Gearing</b>	<b>13.7%</b>	<b>3.4%</b>	<b>5.8%</b>

## Liquidity indicators

- Cash Balance = USD 63.3mn
- Current Ratio
  - 1.15x
  - 2.48x (if adjust for reclassified LT portion of loans to current)

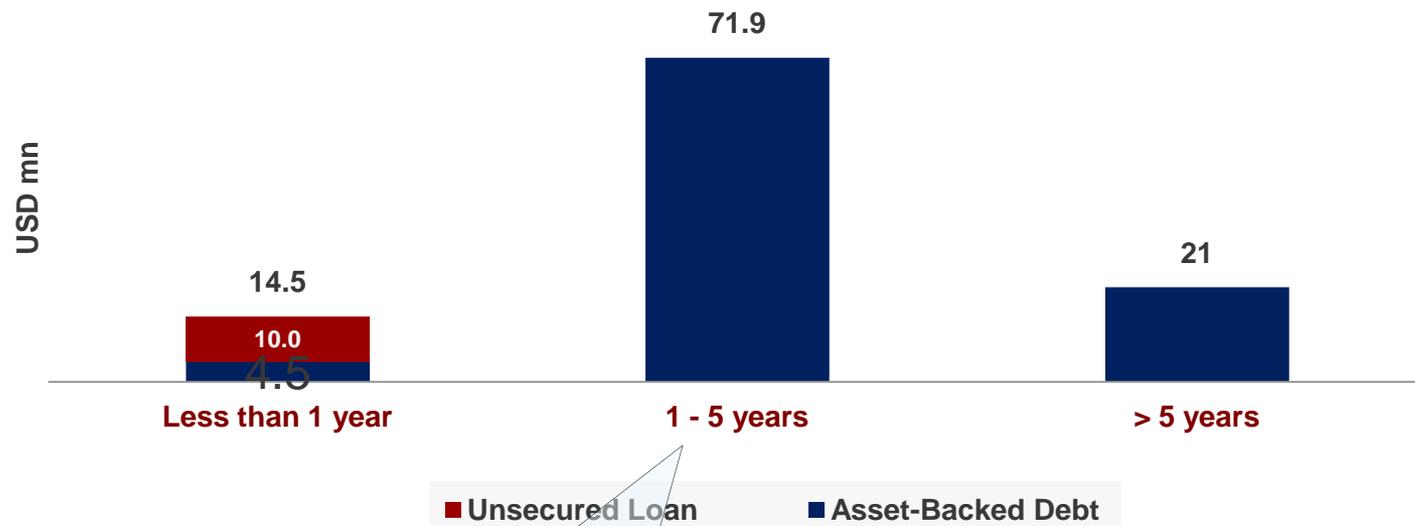
## Leverage Ratio

- Debt to Equity Ratio = 0.55x
- Net Gearing = 13.7%
- DSCR = 1.13x

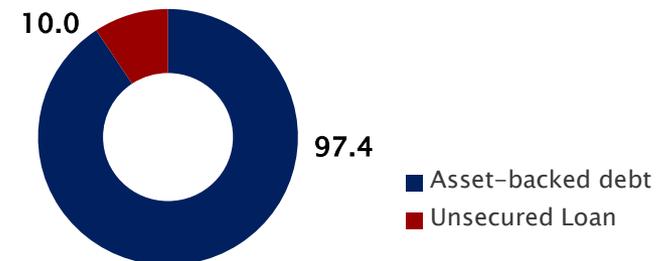


# Debt Maturity Profile

Interest Bearing Debt (31 Dec 2015): USD 107.4 Million



4Q15 we reclassified all long-term loans to current-portion of long-term loans due to technical breach, soon to be resolved





# **Business Outlook**

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# Business Outlook

1. The global oil and gas industry continues to experience significant challenges in light of the current oil price environment
2. Demand for Subsea Services will remain under pressure in 2016 – Demand will vary depending on geographical locations
3. Indeed, demand in the shallow water segment such as the Middle East, South East Asia, West Africa and the Mexico regions likely to be comparatively less affected
4. The Group continues to tender aggressively for contracts, and will take advantage of the weak markets for opportunistic business created by the exit of its competitors and the available supply of chartered-in vessels

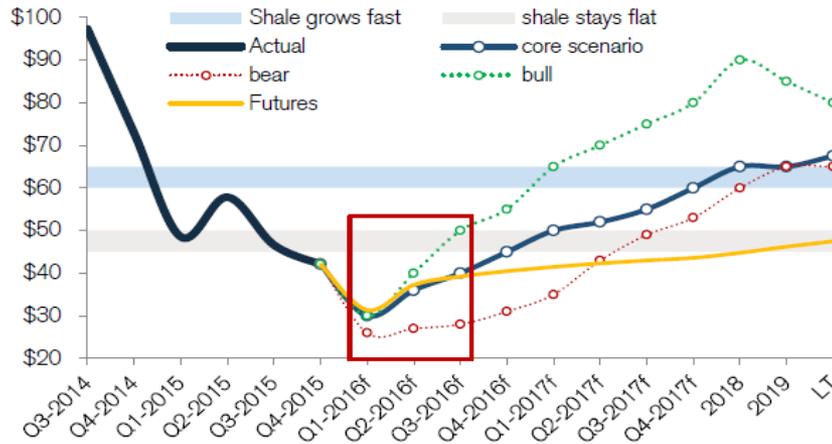


# Business Outlook

5. In the drilling business, demand for tender assisted drilling should continue to fall all throughout 2016 and 2017.
6. Modern units will probably be the only ones with access to employment. Whilst on the other hand, contractors of elder units are increasingly leaning towards recycling of their older assets for scrap
7. The Group continues to market the new tender rigs, 'MTR-3' and 'MTR-4', for production drilling contracts
8. 'MTR-1' and 'MTR-2' are cold stacked and marketed for sale
9. Asia Offshore Drilling, 3 high specification jack-up drilling rigs averaged utilization of 98 percent in FY15. Negotiations on contract extension are on-going
10. Given challenging market conditions, the Group immediate focus is the Strengthen the Core

# E&P Spending Cut in 2016 from Weak Oil Price Environment

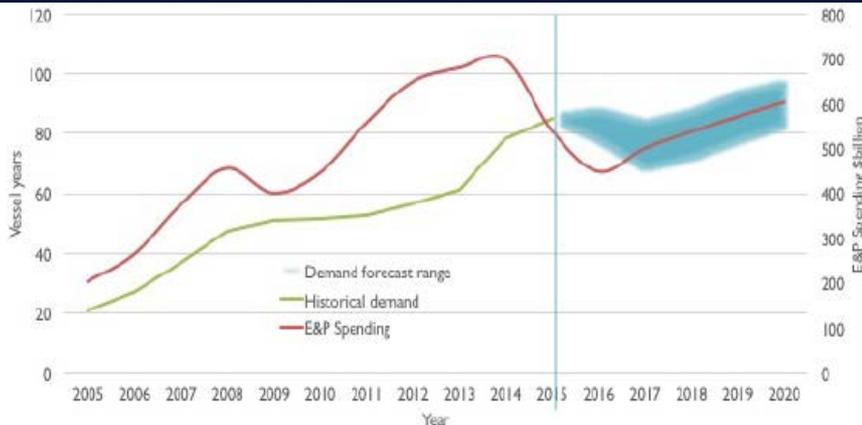
## CS Brent Oil Forecast



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse estimates

- Credit Suisse forecast Brent oil to average **\$36.25 in 2016**
- According to Strategic Offshore research, E&P spending to be cut by **19%** in 2016
- Offshore represents around **17%** of total E&P spending where total offshore well spend fall to an estimated USD **\$72.3 Bn**

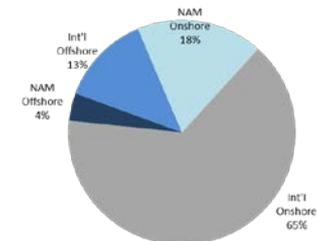
## Global Demand Range and E&P Spending



## Estimated Upstream Offshore Spending by Region

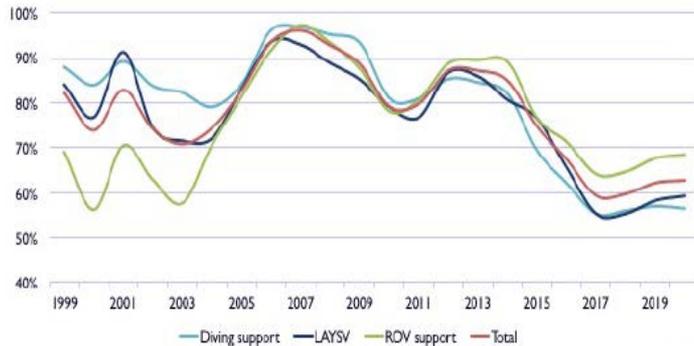
Region	Total Offshore Well Spend (\$bn)			% Change	
	2014	2015E	2016E	'14 vs'15	'15 vs'16
Africa	19.1	15.5	12.2	-19%	-21%
Europe	17.8	15.4	11.5	-13%	-25%
India, Asia & Australia	21.2	16.1	7.3	-24%	-55%
Latin America	22.7	19.1	17.0	-16%	-11%
Middle East	10.0	9.6	7.8	-4%	-19%
North America	18.8	17.2	15.0	-9%	-12%
Russia/FSU	0.8	0.0	1.5	-100%	0%
<b>Total</b>	<b>110.4</b>	<b>92.9</b>	<b>72.3</b>	<b>-16%</b>	<b>-22%</b>

Global Upstream Spending by Region (2016 E&P Spending)



# Subsea and Offshore Drilling Business Outlook

## Global Vessel Net Utilization



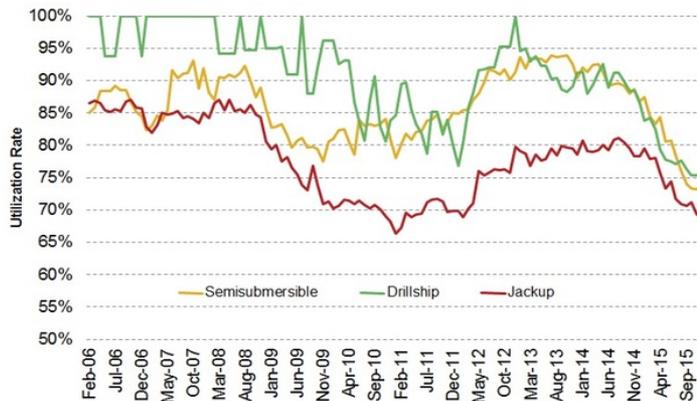
The Subsea Market to 2020

Strategic Offshore Research © 2016

## Subsea Market

- Overall utilization rates are expected to get lower
- Demand for subsea services will further tumble down in 2016
- Phasing out a few older units impacted the contractors' operations, but it did not fully compensate for a historically weak demand
- Foresees an increasing oil price by early 2017 combined with very low rates should refresh the demand for maintenance and underwater services in the shallow water segment

## Rig Utilization Rate



Market Realist<sup>®</sup>

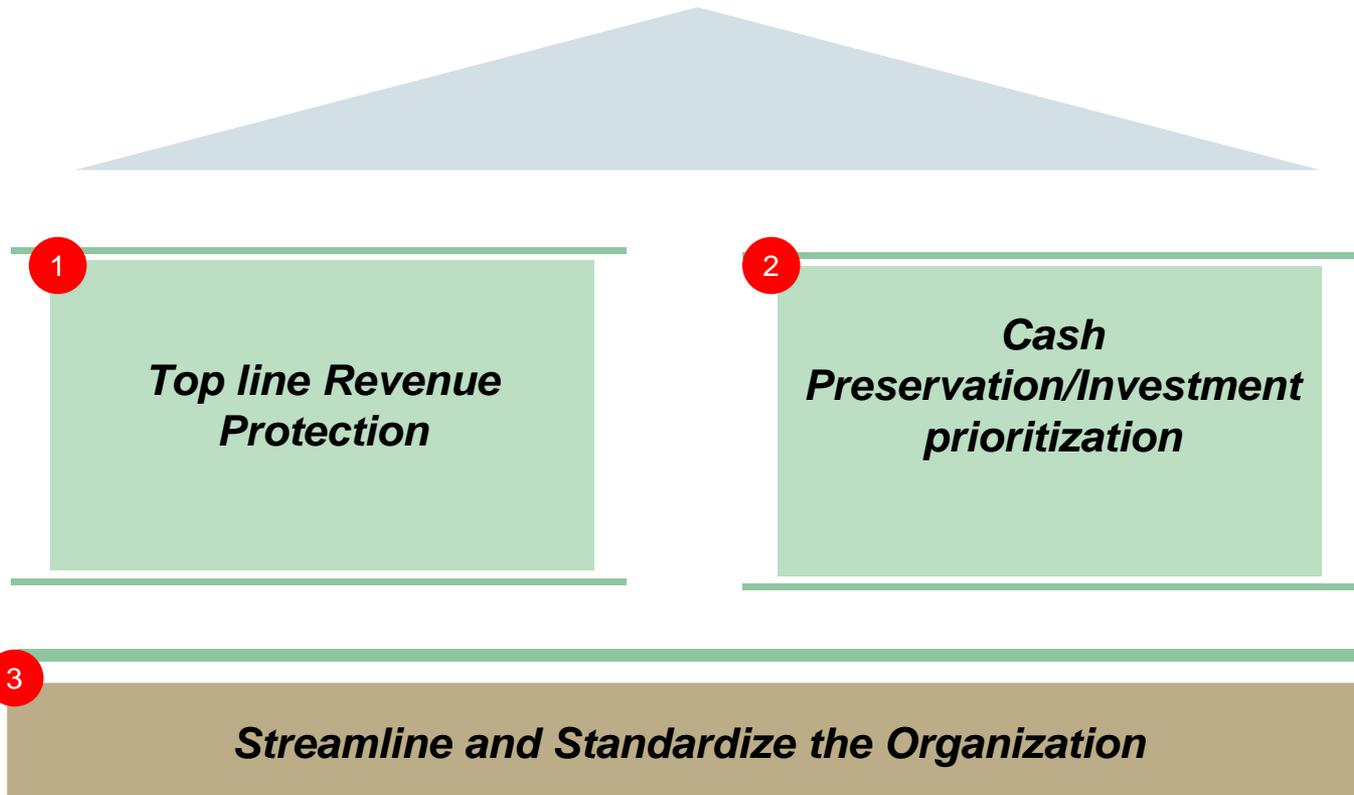
Source: Rigzone

## Offshore Drilling Market

- Market Downturn
- Rig day rates having plummeted as a function of the significant oversupply
- About 100 of all 130 Jack-ups on order are said to have no contract secured so far
- Many drilling contractors have entered into agreements with shipyards to extend rig delivery for several months or years

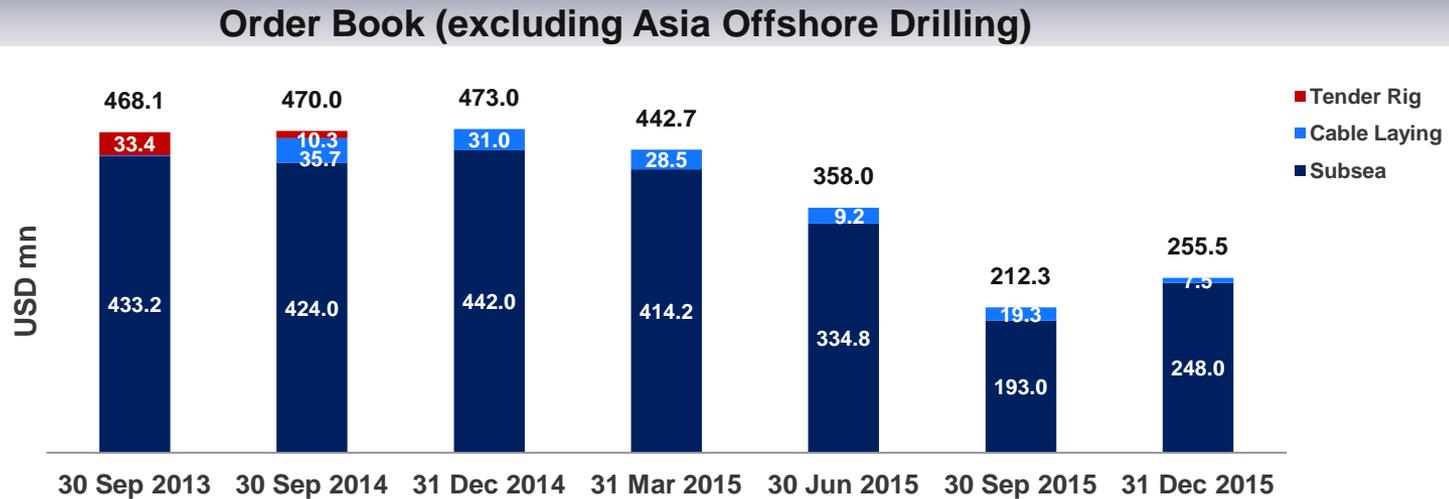


# Immediate priority is to strengthen the core

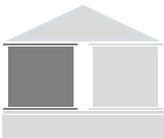




# Order book stands at USD255.5m

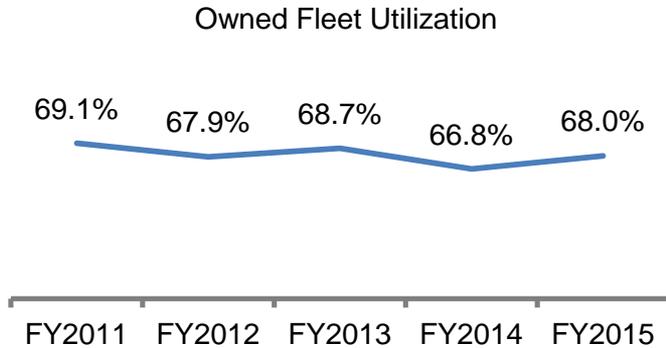


\* Mermaid Maritime owns 33.76% stake in Asia Offshore Drilling



# Maintain high client service engagement standards to maximize utilization in core markets

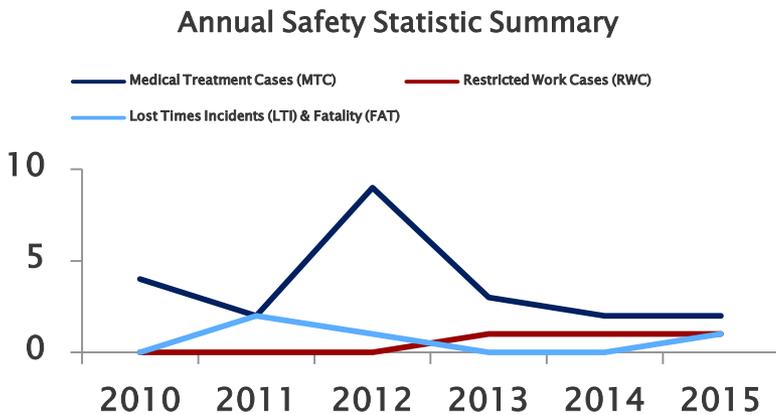
## Consistently maintained utilization...



- Completed 7 campaigns of spools installations
- 320 freespan locations rectified
- 65 Jackets inspected
- 132 pipeline inspected
- 6,695 number of Dives
- 1,065 number of ROV dives

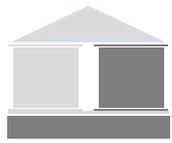
ارامكو السعودية  
Saudi Aramco

## Track record of quality service



*Received an award from CUEL Ltd, in recognition of Mermaid's outstanding safety performance over its ten years of service*

*Mermaid Commander completed CUEL Installation contract for 10th consecutive year in Gulf of Thailand without a Lost Time Injury (LTI).*



## Phase 2 of Costs Savings launched

	Description	Target
Non performing assets	<ul style="list-style-type: none"><li>• Retire aging and un-competitive assets</li><li>• If no beneficial employment or sale opportunity, cold stack to:<ul style="list-style-type: none"><li>• Minimize cash outlay</li><li>• While lower depreciation resulting from impairment will limit P&amp;L impact</li></ul></li></ul>	Non utilized assets sold or cold stacked
Vessel Running Costs	<ul style="list-style-type: none"><li>• Reduce Marine Crew and Dive Technician expenses</li><li>• Increase variable component of selected expense categories to align expenses with utilization</li><li>• Further negotiate with suppliers to reduce expenses linked to asset market values or net book values</li></ul>	-5 to -10% YoY on Active Vessels
SG&A Reduction	<ul style="list-style-type: none"><li>• Further right-size organization to align with business activity</li><li>• All categories targeted for reduction (i.e. Travel &amp; Entertainment, accommodation, communications &amp; supplies)</li><li>• Centralize functions to realize economies of scale</li></ul>	-15 to -20% YoY



# THANK YOU

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