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NEWS RELEASE

Nam Cheong reports 37% growth in revenue to RM268.1 million for 9M2020

- With an expanded fleet size from 34 in 2019 to 37 in 2020, vessel chartering revenue grew by 10% year-on-year (“YoY”) to RM216.2 million in 9M2020
- With consistent gross profit margin within the range of 29% to 31%, gross profit increased 5% YoY to RM64.2 million in 9M2020
- However, due to the impairments, the Group recorded a net loss after tax of RM368.5 million in 9M2020
- The Group, with CRDC’s support, is formulating a financial restructuring plan to settle its debt obligations in the face of a very challenging environment.

Singapore, 13 November 2020 – Nam Cheong Limited (“Nam Cheong” or the “Group”), one of Malaysia’s largest Offshore Support Vessel (OSV) providers, today announced its financial results for the nine months ended 30 September 2020 (“9M2020”).

Financial Highlights	3Q2020 (RM'000)	3Q2019 (RM'000)	Change (%)	9M2020 (RM'000)	9M2019 (RM'000)	Change (%)
Revenue	78,558	91,742	(14)	268,124	196,349	37
Gross Profit	23,556	29,033	(19)	64,248	61,448	5
Gross Margin	30.0%	31.6%	(1.6ppt)	24.0%	31.3%	(7.3ppt)
Other Income	2,186	60,410	(96)	8,038	72,578	(89)
Selling and Administrative Expenses	(8,194)	(11,393)	(28)	(30,523)	(27,571)	11
Impairment on:						
- Property, plant and equipment	(29,878)	(33)	>100	(285,234)	(33)	>100
- Investment in associates	-	-	n.m	(17,288)	-	n.m
- receivables	839	-	n.m	(7,356)	-	n.m
Other operating expenses	(35,278)	(1,378)	>100	(61,677)	(4,754)	>100
Operating (Loss)/Profit	(46,769)	76,639	n.m.	(329,792)	101,668	n.m
Finance Costs	(8,027)	(12,620)	(36)	(29,394)	(31,166)	(11)
(Loss)/Profit for the period	(60,931)	61,926	n.m	(368,508)	64,411	n.m
Net (Loss)/Profit attributable to owners of the parent (PATMI)	(60,827)	60,286	n.m	(368,954)	63,576	n.m

N.M = not meaningful
Ppt = percentage points



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The coronavirus virus continues to embattle the world. Many countries are battling its resurgence and re-introducing lockdowns, leading to depressed crude oil prices¹, spelling a very cautious tone in the offshore oil and gas market. Malaysia's outlook for oil and gas production in the foreseeable near-term remains challenging, weighed down by the effects of low global oil prices, cutback in capital budgets for upstream players, and a slump in demand, according to MarketResearch's Malaysia Oil & Gas Q4 2020 report.²

Against these backdrops, the Group's continued to deliver a 37% YoY growth in overall revenue to RM268.1 million for 9M2020. This was primarily driven by the 10% YoY growth in vessel chartering as the fleet size expanded from 34 in 2019 to 37 in 2020, and the successful sale and delivery of an Emergency Response and Rescue Vessel ("ERRV") to a customer based in the North Sea towards the end of June 2020.

Consistent with the revenue growth, gross profit increased 5% YoY to RM64.2 million for 9M2020. Gross profit margins were relatively stable, hovering within the range from 29% to 31%.

Other income was lower at RM8.0 million in 9M2020, compared with RM72.6 million in 9M2019. This can be attributable to the absence of inventories write-back of RM12.4 million and the waiver of debts of RM56.5 million that was registered in 9M2019.

Selling and administrative expenses were higher at RM30.5 million for 9M2020 as compared to RM27.6 million in 9M2019, as expenses grew in line with the growth in vessel chartering revenue. The Group also incurred a one-off expense from its group wide cost rationalisation exercise.

Despite growing revenues and keeping margins intact, the Group recorded a net loss after tax of RM368.5 million in 9M2020 (9M2019: net profit after tax of RM64.4 million) as the impairment on property, plant and equipment, impairment on investment in associates and writing down of inventories have severely impacted the bottom line.

On a quarterly basis, revenue decreased by 14% YoY to RM78.6 million in 3Q2020 due to lower vessel utilisation rate during the third quarter of 2020. This resulted in the decline of gross profit to RM23.6 million for 3Q2020. With impairments on property, plant, and equipment, investment in associates and writing down of inventories, the Group posted a loss of RM60.9 million for the third quarter of 2020.

Nevertheless, the Group has made progress on its financial restructuring effort. The Group has recently received approval from the Corporate Debt Restructuring Committee of Malaysia (the "CDRC") that CDRC will help to mediate between Nam Cheong and its financial creditors. The Group is hopeful that it will be able to revert to its creditors in the near future with some indication of its plans to meet its obligation.

Commenting on the Group's results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong** said, *"We are encouraged to see growing revenues driven primarily by our growing vessel fleet size and the successful sale and delivery of the ERV despite a very difficult 2020.*

Despite the challenges ahead, we are thankful for CDRC's support and remain hopeful that, in the near future, we will be able to reach a sustainable solution with our creditors to meet our debt obligations."

¹ Fox Business: <https://www.foxbusiness.com/markets/oil-prices-sink-europe-reintroduces-coronavirus-lockdowns>

² MarketResearch.com: <https://www.marketresearch.com/Business-Monitor-International-v304/Malaysia-Oil-Gas-Q4-13595030/>



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Outlook

With countries around the world hit by a second wave of the coronavirus, demand for oil continues to slow, complicating efforts by producers to balance the market³. This unusual situation is unprecedented, and oil prices have continued to fall, posting its second consecutive monthly drop⁴ in October.

Spurred by volatile oil prices and uncertain geopolitics, the demand for all major offshore vessel types remained lacklustre, further dampening vessel utilisation rates, leading to a bearish oil and gas market.

Managing this difficult and developing situation, the Group is actively reviewing its options extensively to restructure its businesses, operations, and balance sheet to best preserve value for the stakeholders of the Company.

- End -

ABOUT NAM CHEONG LIMITED (BLOOMBERG TICKER NCL: SP)

Headquartered in Kuala Lumpur, Malaysia, Nam Cheong Limited (“Nam Cheong” or the “Group”) is a global offshore marine group specialising in the building and chartering of OSVs. Since its humble beginnings in 1968 building only fishing vessels, the Group is now Malaysia’s largest OSV builder, owning and operating one of the largest shipbuilding yards for OSVs in Malaysia.

The Group focuses on OSV chartering, as well as the construction and engineering of sophisticated, environmentally friendly and quality OSVs that are equipped with the latest technology for use in the offshore oil and gas exploration and production (“E&P”) and oil services industries, with customers hailing from Malaysia, Southeast Asia, Middle East, West Africa, Latin America, Europe, and the United States. The Group has delivered over 140 vessels since 2007, which include anchor handling towing supply (“AHTS”) vessels, platform supply vessels (“PSVs”), accommodation work boats and accommodation work barges.

Beyond building some of the most sophisticated OSVs, Nam Cheong is expanding its vessel chartering operations and currently has a chartering fleet of more than 30 vessels. Nam Cheong was successfully listed on SGX-ST on May 27, 2011.

Issued for and on behalf of Nam Cheong Ltd. by **Financial PR**

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³ Reuters: <https://uk.reuters.com/article/us-iea-oil/iea-says-oil-producers-may-struggle-to-gauge-demand-amid-second-wave-idUKKBN26ZOYB>

⁴ Nairametrics: <https://nairametrics.com/2020/10/31/oil-prices-fall-as-covid-19-second-wave-hits-europe-us/>