



# FY2020 RESULTS

25 February 2021

[www.mermaid-group.com](http://www.mermaid-group.com)

# AGENDA

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Business Report

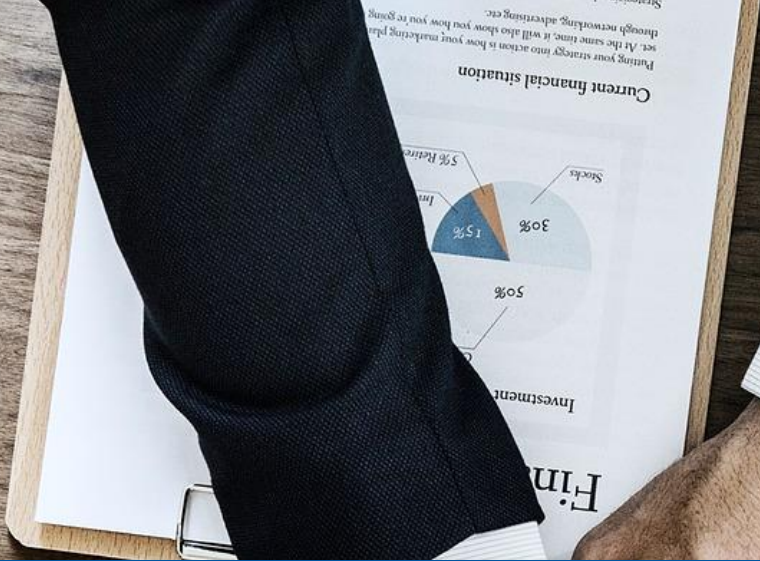


Financial Review



Business Outlook

# BUSINESS REPORT



Issue 764  
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#Citydailynews

## y of the n Union

Are you innovative or are you the experienced typical or do you offer a high-cost, high-quality product, or slow-cost, high-value products? It's impossible to be both. You should consider on thinking what your customers need you to be. Your brand is the main foundation of your logo is the main foundation of your brand. All the promotional materials should be communicate with your logo to communicate with your brand. Having a good brand strategy allow you to have a large advantage in your market competition. Increase in your market by your brand tells your customers what they can have or expect from the products and services you offer. From the branding strategy you have consistent at it.



# FY2020 HIGHLIGHTS



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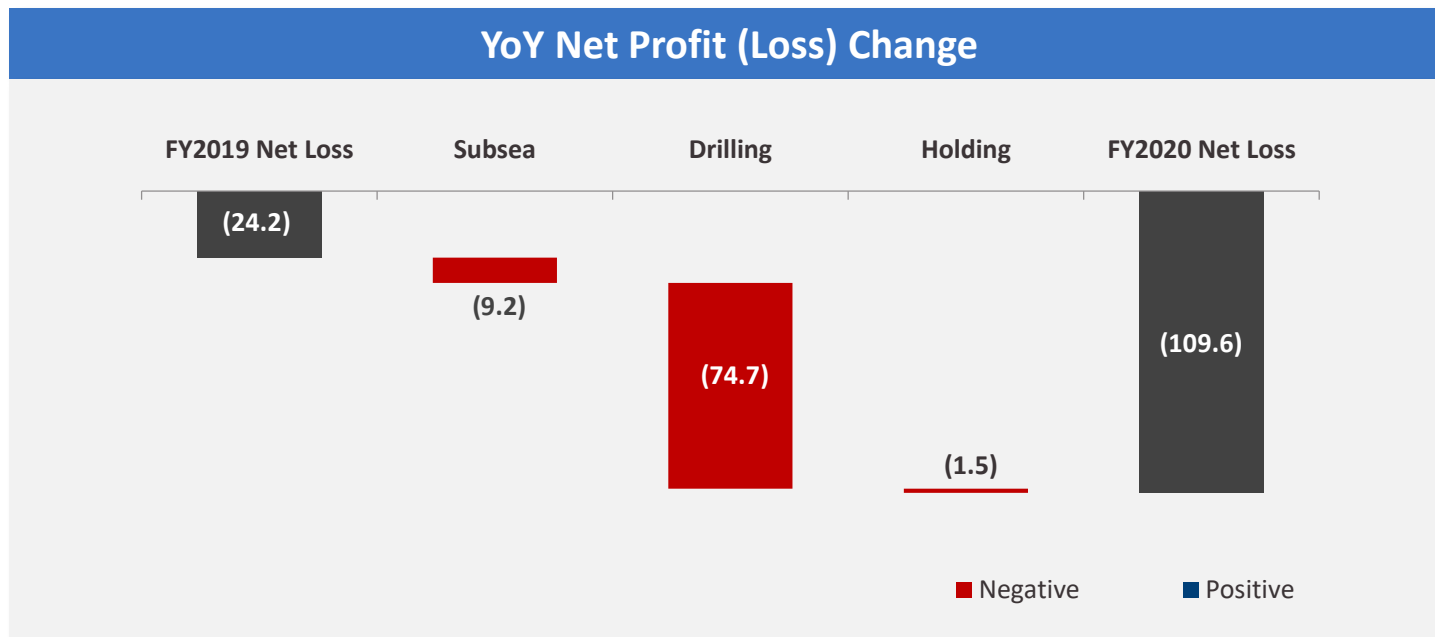
- Revenue from subsea sector decreased 20.92% YoY due to utilization as a result of scheduled regulatory dry-docking activity for main vessels and due to obvious and unavoidable impact of COVID-19 during the year.
- EBITDA decreased YoY from USD (1.5)m in FY2019 to USD (11.8)m in FY2020 mainly because of lower contribution margin
- For 4Q'2020, the net negative cash flow from operations was at USD (6.1)m as a result of lower revenue and contribution margin
- At the end of FY2020, the order book stood at USD 190m which is generated mainly from long-term subsea business contracts, cable lay contracts and expected high potential awards in the Middle East
- Exercise for put option of AOD to sell all 33.76% shares (USD 31m as consideration)
- Balance sheet position was typically low risk at 2.27x Current Ratio and 0.33x D/E Ratio



# MOVEMENT IN KEY BUSINESS SEGMENT



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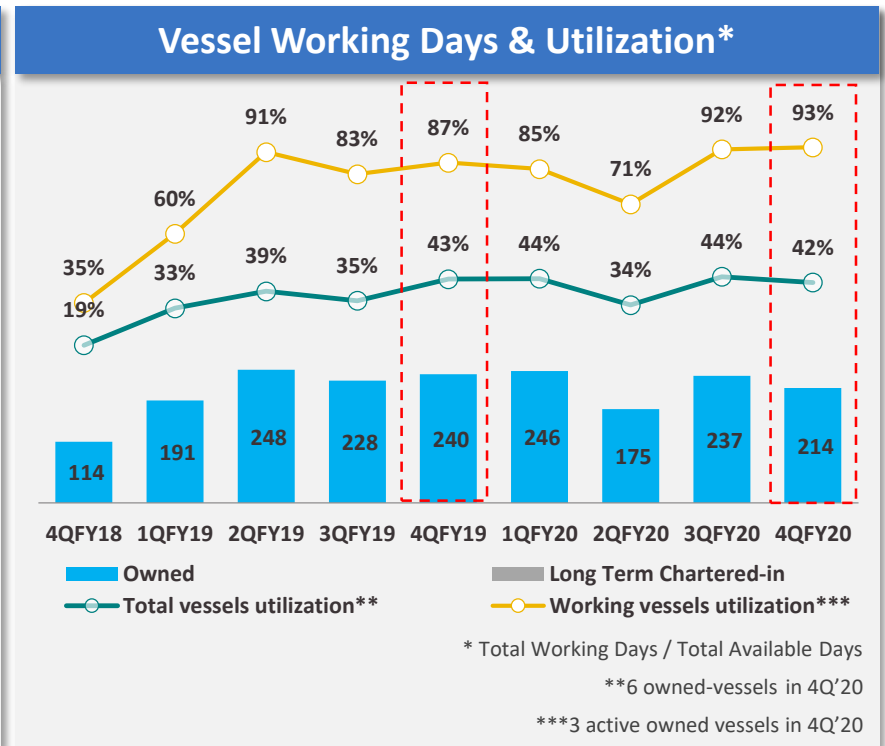
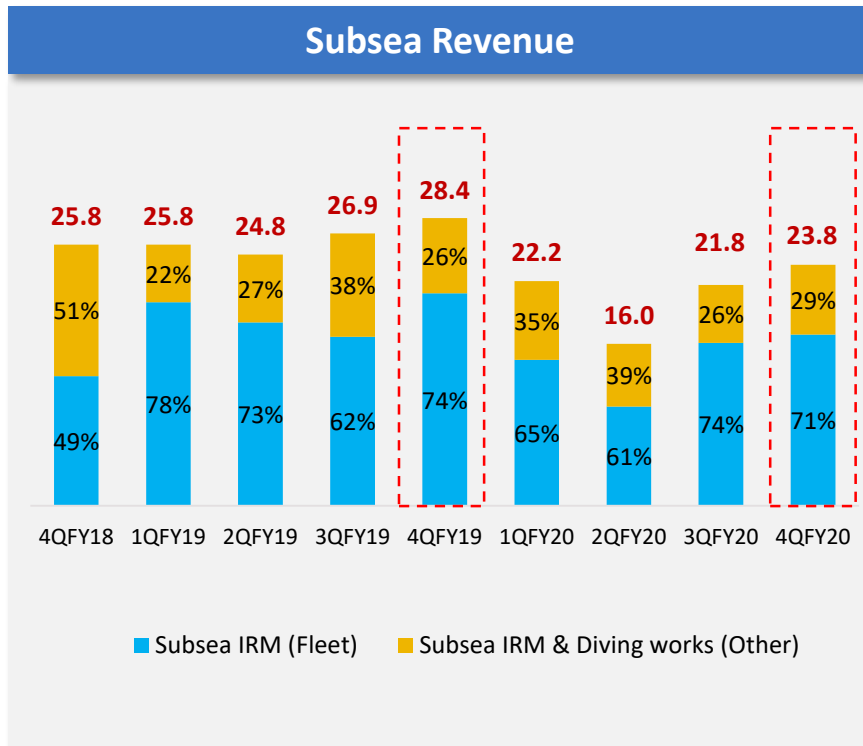


- Negatives YoY from Subsea sector mainly resulted by (1) mandatory dry docking of three owned operating vessels during FY2020 which led to lower utilization/contribution and (2) impairment loss due to accounting standard
- In 3Q'2020, the Group exercised Put Option to sell all of its shares in AOD (33.76%). Consequently, the Group recognized a loss of USD (68.1)m in the Drilling sector

# SUBSEA REVENUE AND UTILIZATION



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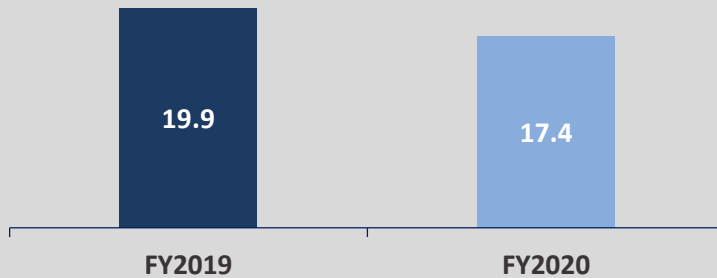


- Revenue from subsea sector increased by USD 2.0m QoQ but decrease by USD 4.6m YoY.
- In 4Q'2020, two active owned vessels working on projects in the Middle East at high utilization rate.
- Mermaid Sapphire had been dry-docking during Oct – Nov 2020 and returned to work on her primary project after finished dry-docking.
- No long-term chartered-in vessel in 4Q'2020

# COSTS & EXPENSES

## Vessel Running Cost (owned vessels)

USD MM

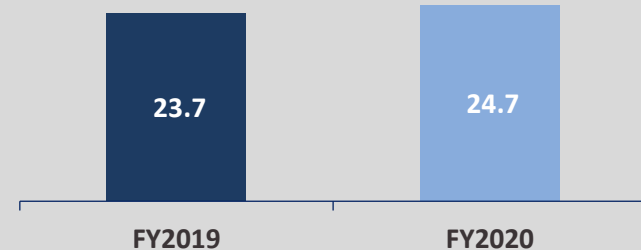


### Owned Vessels

- VRC generally decreased YoY due to lower utilization as a result of dry docking activity
- VRC also affected by additional cost due to COVID-19 pandemic

## Selling and Administrative Expenses

USD MM



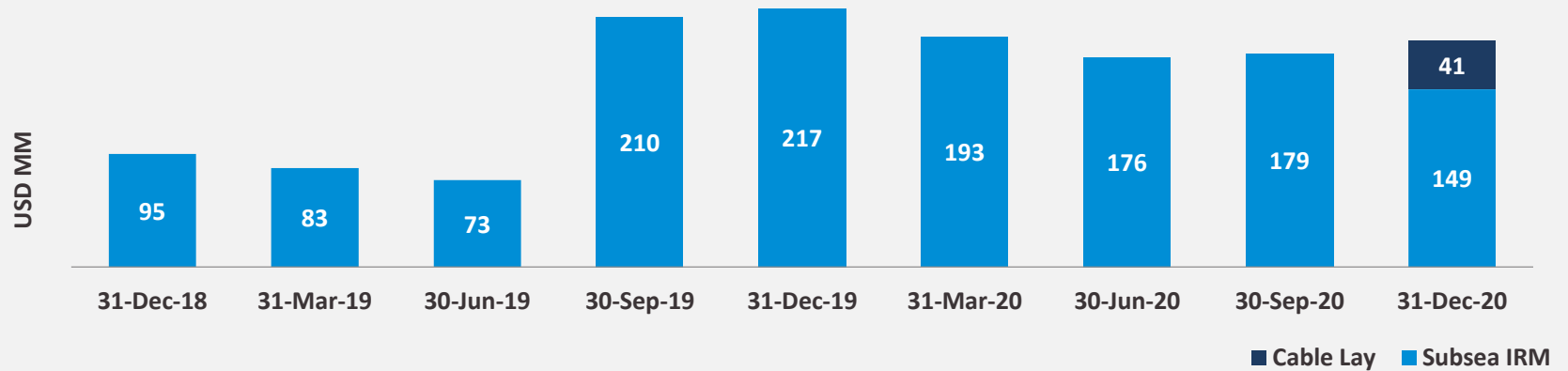
### Selling, General and Administrative Expenses

- SG&A expenses increased YoY mainly as a result of impairment loss that recognized in FY2020 at USD 10.0m (FY2019: USD 5.1m) while other main SG&A expenses reduced YoY.

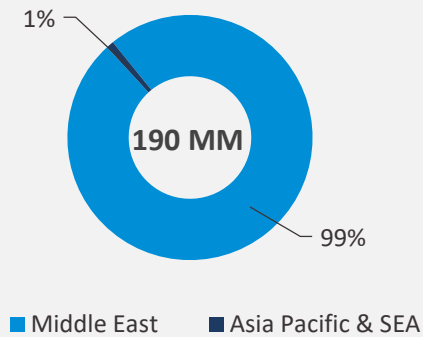
# ORDER BOOK



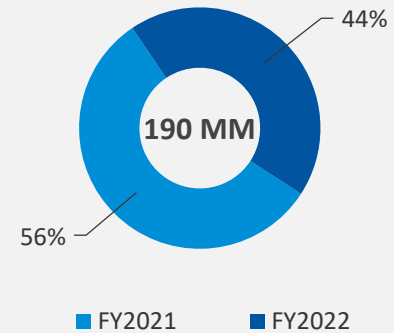
### Total Order Book



### Order Book by Region



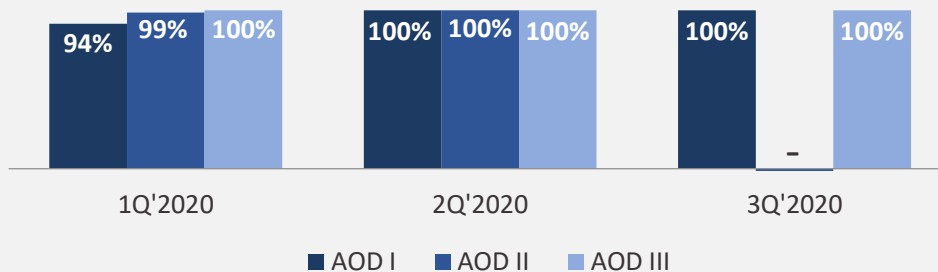
### Order Book by Year



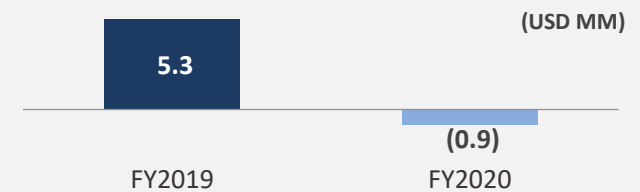


# PERFORMANCE & PUT OPTION

### AOD Rigs Utilization



### Share of Profit of Associates



- High utilization performance in FY2020 (excluding suspension per request by client)
- Share of profits decreased YoY as a result of adjusted FY2019 AOD-I Bareboat Chartered rate.
- AOD II has temporarily suspended operation for a period of up to one year since the end of June 2020.
- On 11 September 2020, the group exercised the Put Option to sell all of its 33.76% shares in Asia Offshore Drilling Limited (“AOD”) for a consideration of USD 31.0m as return. By means of an accounting consequence, a loss needed to be recognized during this period for USD (61.8)m
- AOD was no longer an associated company of the Group.



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# FINANCIAL REVIEW



# FY2020 PROFIT & LOSS



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(USD MM)	FY2020	FY2019	YoY Amount Change
<b>Revenue</b>			
Revenue from rendering of services	83.8	105.9	-22.1
Interest income	0.1	0.7	-0.6
Net gain on foreign exchange	-	0.2	-0.2
Other income	0.3	0.9	-0.6
<b>Total revenue</b>	<b>84.2</b>	<b>107.7</b>	<b>-23.5</b>
<b>Expenses</b>			
Costs of rendering of services	95.4	109.0	-13.6
Administrative expenses	24.7	23.7	+1.0
Loss from disposal of investment in associates	68.1	-	+68.1
Finance costs	2.2	3.4	-1.2
<b>Total expenses</b>	<b>190.4</b>	<b>136.1</b>	<b>+54.3</b>
Share of profit (loss) of joint venture and associates	(0.9)	4.8	-5.7
<b>Profit (loss) before income tax expense</b>	<b>(107.1)</b>	<b>(23.6)</b>	<b>-83.5</b>
Tax expense	2.5	0.6	+1.9
<b>Profit (loss) for the year</b>	<b>(109.6)</b>	<b>(24.2)</b>	<b>-85.4</b>
<b>Earnings (losses) per share (US Cents)</b>	<b>(7.8)</b>	<b>(1.7)</b>	<b>-6.1</b>
Depreciation expenses and amortization expenses	14.5	19.2	-4.7
Non-recurring items <i>(embedded in admin expense and other income)</i>	9.6	4.4	+5.2
<b>EBITDA<sup>(1)</sup></b>	<b>(11.8)</b>	<b>(1.4)</b>	<b>-10.4</b>

Remark:

<sup>(1)</sup> Excluding share of profit (loss) of joint venture and associates and non-recurring items

# STATEMENT OF CASH FLOWS



Cash Flows (USD MM)	For the year ended 31 December	
	2020	2019
<b>Cash Flow From Operating Activities:</b>		
Before changes in working capital	(10.4)	0.2
Changes in working capital	5.0	(2.2)
Others	(0.7)	(0.4)
<b><i>Net cash used in operating activities</i></b>	<b>(6.1)</b>	<b>(2.4)</b>
<b>Cash Flow From Investing Activities:</b>		
Proceed from sale of current investments	4.3	7.2
Acquisition of current investment	(2.0)	(2.0)
Long-term loan to other party	(0.5)	-
Acquisition of property, plant and equipment	(10.6)	(1.5)
Proceeds from sale of interest in associate	31.0	-
Interest received	0.1	0.7
<b><i>Net cash from investing activities</i></b>	<b>22.3</b>	<b>4.4</b>
<b>Cash Flow From Financing Activities:</b>		
Proceeds from short-term loans from financial institution	-	0.2
Repayment of short-term loans from financial institution	(0.2)	-
Proceeds from long-term loans from financial institution	8.0	-
Repayment of borrowings	(6.5)	(12.0)
Finance costs paid	(2.2)	(3.3)
<b><i>Net cash used in financing activities</i></b>	<b>(0.9)</b>	<b>(15.1)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15.3</b>	<b>(13.1)</b>
Net cash effect from loss of control in a subsidiary	-	(1.1)
Effect of exchange rates	-	0.2
Beginning balance as at 1 January	22.5	36.5
<b>Cash Balance as at 31 December (excluding restricted cash*)</b>	<b>37.8</b>	<b>22.5</b>

\*Restricted Cash = USD 9.2m  
\*Investment Cash = USD 9.7m

# STATEMENT OF FINANCIAL POSITION



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Balance Sheet (USD MM)	31 Dec 2020	31 Dec 2019	Change
Cash & Cash Equivalents and Current Investment	47.5	34.7	+36.9%
Trade and Other Accounts Receivable	35.3	48.0	-26.5%
Other Current Assets	0.4	6.0	-93.3%
<b>Total Current Assets</b>	<b>83.2</b>	<b>88.7</b>	<b>-6.2%</b>
Restricted Deposit at Banks	9.2	11.3	-18.6%
Investment in Associates & Joint Venture	24.0	123.9	-80.6%
Property, Plant and Equipment	143.2	145.2	-1.4%
Other Non-Current Assets	0.9	4.9	-81.6%
<b>Total Non- Current Assets</b>	<b>177.3</b>	<b>285.3</b>	<b>-37.9%</b>
<b>Total Assets</b>	<b>260.5</b>	<b>374.0</b>	<b>-30.3%</b>
Short-term borrowing from financial institutions	-	0.2	-100.0%
Trade and Other Accounts Payable	22.4	28.3	-20.8%
Current Portion of Long-term Borrowings	13.5	12.0	+12.5%
Other Non-Current Liabilities	0.8	0.7	+14.3%
<b>Total Current Liabilities</b>	<b>36.7</b>	<b>41.2</b>	<b>-10.9%</b>
Long-Term Borrowings	43.9	43.8	+0.2%
Other Non-Current Liabilities	2.6	2.0	+30.0%
<b>Total Non-Current Liabilities</b>	<b>46.5</b>	<b>45.8</b>	<b>+1.5%</b>
<b>Total Liabilities</b>	<b>83.2</b>	<b>87.0</b>	<b>-4.4%</b>
<b>Total Equity</b>	<b>177.3</b>	<b>287.0</b>	<b>-38.2%</b>

(USD MM)	31 Dec 2020	31 Dec 2019	31 Dec 2018
<b>Interest Bearing Debt</b>			
Asset-backed Financing	57.4	55.8	67.7
Unsecured Loan	-	0.2	-
Finance lease	0.4	-	0.1
<b>Total Debt</b>	<b>57.8</b>	<b>56.0</b>	<b>67.8</b>
Cash, Deposits and Bank Balances	(56.7)	(46.0)	(69.1)
<b>Total Debt, Net of Cash</b>	<b>1.1</b>	<b>10.0</b>	<b>(1.3)</b>
Shareholders' Equity	177.3	287.0	314.9
<b>Net Gearing</b>	<b>0.6%</b>	<b>3.5%</b>	<b>-0.4%</b>

## Financial Ratio:

- Current Ratio = 2.27x
- Liabilities to Equity Ratio = 0.47x
- Net Debt to Equity Ratio = 0.33x
- Net Gearing = 0.6%

# DEBT MATURITY PROFILE



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## Interest-Bearing Debt Maturity

USD 57.6 MM

(31 December 2020)

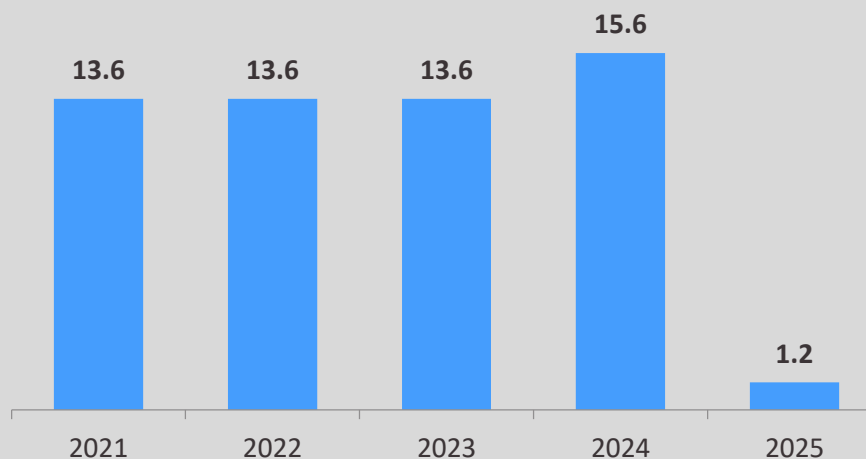
- As at 31<sup>st</sup> December 2020, there is **USD 57.6 million**
- Next Repayment is at the end of 1<sup>st</sup> quarter, 2021
- Short-term liquidity risk is low.

### Remark

*During the year, the Company got an approval from the Lender for the repayment suspension in 2Q'2020 and 3Q'2020 as a result of COVID-19 pandemic*

## Yearly Repayment Scheme

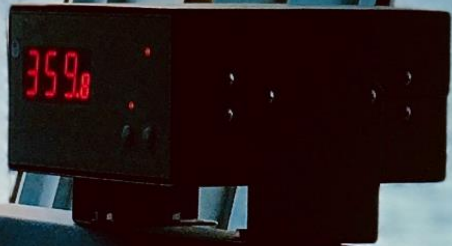
(USD 57.6 million)







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# BUSINESS OUTLOOK

# BUSINESS OUTLOOK



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1

The **outlook for subsea service providers**, though shaken by Global pandemic in short term, continues to be positive on a longer term basis, as new projects will be sanctioned. Saudi has plans to invest USD 440 billion on the Eastern Seaboard in various projects up to 2025. Qatar has plans to invest USD 27 Billion in Oil & Gas Sector. Furthermore, in the West African market Majors have allocated budgets of additional USD 123 Billion towards Subsea Sector, in addition to Mozambique USD 46.7 Billion for Subsea Projects. Oil prices have almost completely recovered to pre-covid numbers, this will promulgate an upward trend in the short to mid term.

2

As indicated previously, the **Cable Division will be the Single biggest driver towards business turnaround** in the short term, and the forward book now vindicates that position. No other business can offer us this sort of ROCE, and the upfront costs are low. Mermaid is good at Cable Laying, and we now have the right personnel in place to offer a decent backlog. Moreover, 2021, 2022 & 2023 look good in the Middle East. Additionally, the revival of business in Zone 1 is of utmost importance for the Group. Furthermore, we now have some small awards in Asia against which we can build momentum.

3

MSS is currently actively liaising special **co-operation with Mubarak Marine**, this has paid dividends in the last quarter in terms of forward book awards from multiple EPC majors. We expect a significant uptick in the Flexible Market space during 2021-2023.

# BUSINESS OUTLOOK



4

MSS is looking for options to initiate entry into the Renewable Energy Business and have re-structured the Group to explore significant opportunities in that space. We have developed a team with world class experience complete with some of the Pioneers in the Renewable sector. This will enable an increase in our footprint in that sector.

5

The Mermaid **Asiana, Sapphire and Endurer** continue to operate in the Middle East, and will remain in the region for the foreseeable future. We expect to achieve higher utilization throughout 2021-2023. We are actively looking for contracts in Zone 1 and Africa for Sapphire and Endurer. We see vessel mobility as a key vehicle towards achieving organic growth.

6

In order to be geographically closer to the proponent, MSS is working on establishing a **Dubai office, which will become a Hub** for controlling the Cable Projects, Group Engineering & engagements for East and West Africa. We have already set up a temporary office in DMC, whilst works are being performed to secure/set up permanent offices. Currently Subsea 7, Sapura, Saipem & McDermott are all incorporated with regional Head Offices operating out of Dubai.

7

There are a few nonperforming assets in the Group that have not yielded required returns for some years. We are actively working towards the disposal of such Assets including vessels, some ROVs, Mobile SAT Spreads etc. As an update, we have successfully finalized sale of Mermaid Siam in Quarter 1 (2021), the Group will recognize gains on this disposal accordingly.



# Q & A



**MERMAID**

*A Company Moving Forward*

✉ [ir@mermaid-group.com](mailto:ir@mermaid-group.com)

[www.mermaid-group.com](http://www.mermaid-group.com)