

## NEWS RELEASE

### Nam Cheong reports RM25.0 million operating profit for 1H2019; continues thrust into vessel chartering

- Gross profit was up 81% year-on-year (YoY) to RM32.4 million for 1H2019
- Net profit of RM3.3 million for 1H2019 is lower YoY. In 1H2018, the waiver of debts and foreign exchange gain of RM588.1 million resulted in a higher net profit. If these are excluded, the Group would have recorded a loss of RM30.9 million in 1H2018
- Revenue fell 23% YoY to RM104.6 million for 1H2019 owing to an absence of shipbuilding revenue. However, vessel chartering segment cushioned the fall through registering a revenue growth of 183% YoY
- Group sets sail into the second half anchored by its three pillars of growth, with emphasis on bolstering its chartering division

Singapore, 14 August 2019 – Nam Cheong Limited (“Nam Cheong” or the “Group”), one of Malaysia’s leading Offshore Support Vessel (OSV) providers, today announced its financial results for the six months ended 30 June 2019 (“1H2019”).

Financial Highlights	2Q2019 (RM'000)	2Q2018 (RM'000)	Change (%)	1H2019 (RM'000)	1H2018 (RM'000)	Change (%)
Revenue	74,669	127,188	(41)	104,607	135,718	(23)
Gross Profit	24,989	19,721	27	32,415	17,903	81
Gross Margin	33%	16%	17 ppt	31%	13%	18 ppt
Other Income	1,439	44,171	(97)	14,993	593,625	(97)
Selling and Administrative Expenses	8,161	7,112	15	16,178	14,648	10
Operating Profit	14,469	54,054	(73)	25,029	591,370	(96)
Finance Costs	10,980	14,724	(25)	18,546	27,357	(32)
Net Profit attributable to owners of the parent (PATMI)	2,870	34,739	n.m	3,290	557,215	n.m

N.M means not meaningful  
Ppt refers to percentage points

The Group’s revenue fell 23% YoY to RM104.6 million for 1H2019 with no shipbuilding revenue recognised for 1H2019, while it accounted for 73% of 1H2018’s revenue base with the sales and delivery of two vessels amounting to RM98.8 million. In line with the Group’s push to expand its chartering segment, chartering revenue for 1H2019 surged 183% to RM104.6 million on the back of higher utilisation rates coupled with fleet expansion. The Group had 34 vessels as at 30 June 2019 when compared to 23 vessels as at 30 June 2018.

Gross profit, however, grew to RM32.4 million for 1H2019, up 81% from RM17.9 million for 1H2018 on the back of fleet expansion in 1H2019. The Group’s overall gross profit margin (GPM) rose to 31% for 1H2019 from 13% for 1H2018.

Other Income was RM15.0 million for 1H2019, lower than 1H2018's Other Income of RM593.6 million. This was mainly due to the absence of debt waived amounting to RM557.5 million and foreign exchange gain of RM30.6 million recorded for 1H2018. The waiver of debt in 1H2018 relates to the Group successfully terminating shipbuilding contracts payable to its outsourced shipyards.

Administrative expenses climbed 10% to RM16.2 million during 1H2019, primarily due to increasing vessel chartering activities, consistent with the chartering revenue increase.

Accordingly, the Group posted a lower operating profit of RM25.0 million for 1H2019, compared to RM591.4 million for 1H2018.

As a result of interest expense adjustment following the Group's debt restructuring scheme, finance costs decreased by 32% to RM18.5 million for 1H2019 from RM27.4 million for 1H2018. The restructuring converted RM1.6 billion of short-term borrowings to RM1.0 billion of term loans repayable from 2021 to 2024, reducing RM629million of borrowings.

For 1H2019, the Group delivered net profit attributable to owners of the parents (PATMI) of RM3.3 million (1H2018: RM557.2 million) mainly owing to the absence of waiver of debts and foreign exchange gains recorded for 1H2018.

On quarterly basis, revenue for the three months ended 30 June 2019 ("2Q2019") was RM74.7 million, lower than the RM127.2 million revenue recorded for the previous corresponding quarter ("2Q2018"). Gross profit rose by 27% YoY to RM25.0 million, translating to a GPM of 33% for 2Q2019 (2Q2018: RM19.7 million, 16% respectively). This marks the fifth straight quarter Nam Cheong registered a gross profit, reflecting improved fundamentals following prolonged industry downturn and completion of restructuring exercise. PATMI was RM2.9 million for 2Q2019 (2Q2018: RM34.7 million).

Commenting on the Group's results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong** said, *"Our performance for the first half of the year was buoyed by our robust chartering segment, with our expanded fleet size and upgraded capabilities powering us through the industry's gradual recovery. Our efforts to bolster our operations were duly recognised – we were named the Fastest Growing Offshore Support Vessel Company by the International Finance Awards 2019 and secured three long-term chartering contracts over the first half."*

*As we thrust into the second half of the year, we remain anchored by our three-pronged strategy in our next phase of rebuilding: we seek to expand our vessel chartering segment, further diversify our service based income stream through exploring the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) segment, and evolve our shipbuilding capabilities to cover a broader scope of offshore marine related services, including fabrication work."*

## Outlook

According to the Petronas Activity Outlook 2019-2021, a positive outlook is expected for anchor handling tug supply vessels (AHTS), platform supply vessels (PSV), as well as accommodation and maintenance vessels. A pickup in drilling and development activities is also expected to bolster demand for AHTS and PSV.

Meanwhile, a positive outlook for the Maintenance, Construction, and Modification (MCM) segment and an expected increase in man hours required in the Brownfield Hook-up & Commissioning (HUC) segment further boost expected demand for accommodation and maintenance vessels.

In response to the uptick in the offshore and marine activities in Malaysia, the Group has been deploying its vessels for charter in Malaysian waters, and expects the vessel chartering unit to continue its growth momentum. The Group will continue to monitor and review the shipbuilding schedule for the remaining vessels which have yet to be delivered, including potential deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

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140 PayaLebar Road, #07-02 AZ@PayaLebarSingapore 409015. Tel: (65) 6578 6780| Fax: (65) 6316 5301 Website: [www.namcheong.com.my](http://www.namcheong.com.my)

## **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, with the Group operating a chartering fleet of over 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**

For more information, please contact:

Romil SINGH / Kintan ANDANARI

[romil@financialpr.com.sg](mailto:romil@financialpr.com.sg) / [kintan@financialpr.com.sg](mailto:kintan@financialpr.com.sg)

Tel: (65) 6438 2990, Fax: (65) 6438 0064