

NEWS RELEASE

Nam Cheong reports RM76.6 million operating profit for 3Q2019; growth momentum in vessel chartering continues

- Revenue from vessels chartering surged 88.0% year-on-year (YoY) to RM91.7 million for 3Q2019, driven by expanded fleet size
- Gross profit increased by 13% YoY to RM29.0 million in 3Q2019 with better gross profit margin (GMP) at 31.6%, up from 27.1%
- The Group reported a lower net profit for 3Q2019 at RM61.9 million, mainly due to the absence of extinguishment of debts in 3Q2018
- With the upturn in Malaysia's offshore marine industry, the Group will look to bolster its vessels chartering business to enhance profitability

Singapore, 14 November 2019 – 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 three months (“3Q2019”) and nine months (“9M2019”) ended 30 September 2019.

| Financial Highlights | 3Q2019 (RM'000) | 3Q2018 (RM'000) | Change (%) | 9M2019 (RM'000) | 9M2018 (RM'000) | Change (%) |
|---|--------------------|--------------------|---------------|--------------------|--------------------|---------------|
| Revenue | 91,742 | 94,705 | (3) | 196,349 | 230,423 | (15) |
| Gross Profit | 29,033 | 25,636 | 13 | 61,448 | 43,539 | 41 |
| Gross Margin | 31.6% | 27.1% | 4.5ppt | 31.3% | 18.9% | 12.4ppt |
| Other Income | 60,410 | 388,412 | (84) | 72,578 | 965,692 | (92) |
| Selling and Administrative Expenses | (11,393) | (7,900) | 44 | (27,571) | (22,548) | 22 |
| Operating Profit | 76,639 | 386,639 | (80) | 101,668 | 978,009 | (90) |
| Finance Costs | (12,620) | 7,346 | >100 | (31,166) | (20,011) | 56 |
| Profit for the period | 61,926 | 393,980 | (84) | 64,411 | 953,584 | (93) |
| Net Profit attributable to owners of the parent (PATMI) | 60,286 | 396,012 | (85) | 63,576 | 953,227 | (93) |

N.M = not meaningful
Ppt = percentage points

Due to the absence of shipbuilding revenue, the Group’s revenue decreased by 3% YoY to RM91.7 million for 3Q2019. The drop in revenue was tempered by the significant increase in chartering revenue of RM43.0 million or 88% from RM48.8 million for 3Q2018 to RM91.7 million for 3Q2019. The surge in chartering revenue was attributable to the expanded fleet size. The Group had 27 vessels in 3Q2018 and 34 vessels in 3Q2019.

In line with the revenue growth in vessel chartering segment, the gross profit increased by 13% YoY to RM29.0 million for 3Q2019. The Group’s overall gross profit margin (GPM) inched up to 31.6% in 3Q2019 from 27.1% in 3Q2018, attributable to the higher revenue contribution from the chartering segment.

Other Income was lower at RM60.4 million for 3Q2019, as compared to RM388.4 million for 3Q2018. This was mainly due to the absence of extinguishment of debt of RM353.8 million, partially cushioned by the waiver of debts by trade creditor of RM56.5 million in 3Q2019 as a result of successful negotiation and settlement.

Selling and administrative expenses climbed from RM7.9 million for 3Q2018 to RM11.4 million for 3Q2019, in line with the increase in vessel chartering activities and chartering revenue.

Accordingly, the Group posted a lower operating profit of RM76.6 million for 3Q2019, compared to RM386.6 million for 3Q2018.

Finance costs normalized at RM12.6 million in 3Q2019 as compared to an interest income of RM7.3 million, mainly due to the adjustment of interest expense in accordance with the Scheme of Arrangement concluded in 2018.

As a result of the absence of extinguishment of debts in 3Q 2019, the Group delivered a lower net profit after tax of RM61.9 million (3Q2018: RM394.0 million, excluding the other income from extinguishment of debt, the net profit is RM40.2 million) and net profit attributable to the owners of the parent amounted to RM60.3 million (3Q2018: RM396.0 million).

On 9-month basis, the revenue was RM196.3 million, lower than the RM230.4 million recorded for the previous corresponding period. Gross profit rose by 41% YoY to RM61.4 million for 9M2019 with gross profit margin increasing by 12.4ppt to 31.3% in 9M2019. During this period, gross profit margin for vessels chartering was within a consistent range of 31%-34%. PATMI was RM63.6 million for 9M2019 (9M2018: RM 953.2 million).

Commenting on the Group's results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong**

said, *"Driven by Malaysia's robust upstream oil activities, our vessels chartering business has experienced impressive growth momentum over the last few quarters, buoying our overall revenue and profitability. We are well positioned by our expanded fleet size and upgraded capabilities to ride on the positive market wave.*

Looking ahead, we will continue our best efforts to expand our vessel chartering segment, diversify service-based income streams through exploring the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) segments, and evolve our shipbuilding capabilities to cover a broader scope of offshore marine related services to forge our position as a one-stop vessels solution provider in the offshore marine sector."

Outlook

Upstream oil activities are picking up in Malaysia. Petronas plans to increase the capital expenditure to RM50 billion on upstream projects in the Malaysia offshore sector in 2019, almost double the amount from 2018. The increasing drilling and development activities are forecasted to bolster demand across all major offshore vessel types to 2021 and underpin a healthy utilisation rate.¹

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

¹ **Riviera:** <https://www.rivieramm.com/news-content-hub/news-content-hub/malaysia-upstream-a-lsquotaviourrsquo-for-regional-osv-owners-56558>



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vessels which have yet to be delivered, including potential deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

- 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, which has grown to make up 41% of FY2018’s revenue base. The Group currently has 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**

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