



# MMA Offshore Limited

Half Year Results – 31 Dec 2017



**MMA**  
OFFSHORE

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# Introduction



- Macro environment remains challenging, however sentiment continues to be positive towards a recovery in the oil and gas industry
- 1H FY18 financial result in line with expectations
- Secured a number of project work scopes in Australia for 2H
- Strengthened balance sheet through recent equity raising and debt amendments
- Vessel sales programme close to completion
- Streamlined business focusing on a core fleet of high specification vessels operating in key regions
- Ongoing focus on cost management
- Challenging conditions expected to continue through FY18, however 2H expected to be stronger than 1H due to project activity in Australia



# Macro Conditions



## Continued positive sentiment towards a recovery in the oil and gas markets

### Oil price strengthening but ongoing volatility expected

- Oil price rose in recent months from US\$50 to US\$65/bbl and exceeded the US\$70/bbl mark for the first time since 2014
- Global inventory levels continue to decline
- US shale production resilient impacting supply
- Global oil demand remains strong

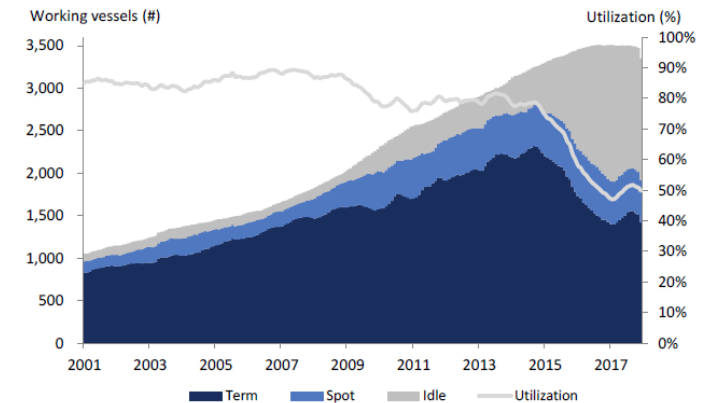
### Investment needs to increase to offset reserve depletion

- Only 1 in 3 barrels produced offshore have been replaced over the past 3 years
- Majority of oil companies are now cash flow positive at current oil price levels
- New offshore project commitments rose in 2017 and are expected to rise substantially in 2018
- Inspection, maintenance and repair (“IMR”) activity expected to increase due to deferred work scopes in recent years

### Early signs of a recovery are encouraging

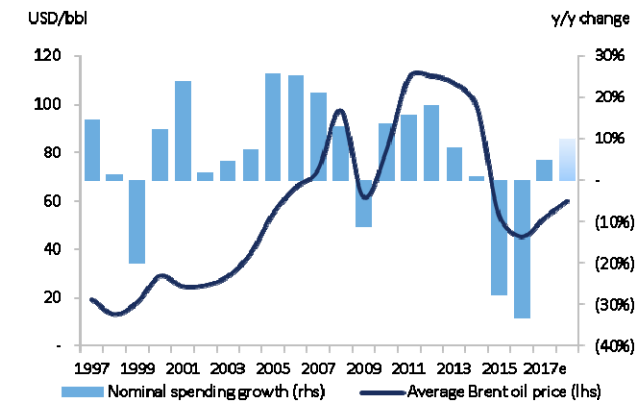
- Lead indicators positive including an increase in North Sea OSV activity, rig contracting, seismic activity and new offshore projects being sanctioned
- Global OSV utilisation and asset values have stabilised
- Whilst there is an oversupply of vessels, there is a growing consensus a portion of the global cold stacked fleet will never return to service
- Due to the lag between E&P investment by oil companies and vessel activity, it will take some time for global vessel utilisation to improve, however the early signs are encouraging

### OSV utilization



Source: Pareto, Jan-18

### Oil company capex has begun to increase



Source: Pareto E&P Survey, Aug-17



# Financial Summary



## 1H FY2018 financial result in line with expectations

	6 months ended 31 Dec 17	6 months ended 30 Jun 17	6 months ended 31 Dec 16	Variance \$	Variance %
<b>Continuing Operations</b>					
Revenue	\$92.5M	\$102.1M	\$119.7M	↓ \$27.2M	↓ 22.7%
EBITDA	\$7.6M	\$13.6M	\$4.4M	↑ \$3.2M	↑ 72.7%
EBIT (Normalised) <sup>1</sup>	\$(8.2)M	\$(3.7)M	\$(23.7)M	↑ \$15.5M	↑ 65.4%
(Impairment of Assets) / reversal	\$8.4M	\$(33.9)M	\$(253.7)M	↓ \$262.1M	n/a
Gain / (Loss) on Sale of Assets	\$0.1M	\$(3.6)M	\$(11.1)M	↑ \$11.2M	n/a
Finance Costs	\$(14.2)M	\$(14.4)M	\$(11.9)M	↑ \$2.3M	↑ 19.3%
Loss before Tax	\$(13.9)M	\$(55.6)M	\$(300.4)M	↓ \$286.5M	n/a
Net Loss from continuing operations	\$(14.3)M	\$(54.4)M	\$(299.9)M	↓ \$285.6M	n/a
Net Loss from discontinued operations	-	-	\$(23.8)M	↓ \$23.8M	n/a
Reported Net Loss after Tax	\$(14.3)M	\$(54.4)M	\$(323.7)M	↓ \$309.4M	n/a
Net Loss after Tax (Normalised) <sup>2</sup>	\$(22.7)M	\$(20.5)M	\$(46.2)M	↓ \$23.5M	↓ 50.9%

<sup>1</sup> EBIT (Normalised) is shown without the impact of the Impairment Charge

<sup>2</sup> Net Loss after Tax (Normalised) is shown without the impact of the Impairment charge and excluding the net loss from discontinued operations



# Balance Sheet



Strengthened balance sheet following the recent equity raising with Net Debt reduced to \$189.6m and gearing of 57.4%

	6 Months Ended 31 Dec 2017	6 Months Ended 30 Jun 2017	6 Months Ended 31 Dec 2016	Variance PCP
Gearing <sup>1</sup> % (Net Debt / Equity)	57.4%	115.2%	113.1%	↓ 55.7%
Interest Cover (EBITDA / Interest)	0.9x	0.9x	0.9x	-
Operating free cash flow	\$5.7M	\$2.5M	\$(8.6)M	↑ \$14.3M
Capital Expenditure	\$3.2M	\$5.6M	\$26.3M	↓ \$23.1M
Interest Bearing Liabilities	\$276.0M	\$324.2M	\$401.0M	↓ \$125.0M
Cash at Bank	\$86.4M	\$28.8M	\$33.0M	↑ \$53.4M
Net Debt <sup>1</sup>	\$189.6M	\$295.5M	\$368.0M	↓ \$178.4M
NTA per Share	\$0.38	\$0.69	\$0.87	↓ \$0.49

<sup>1</sup> Net debt and gearing are calculated excluding the impact of unamortised loan fees



# Vessels



## Review of Operations:

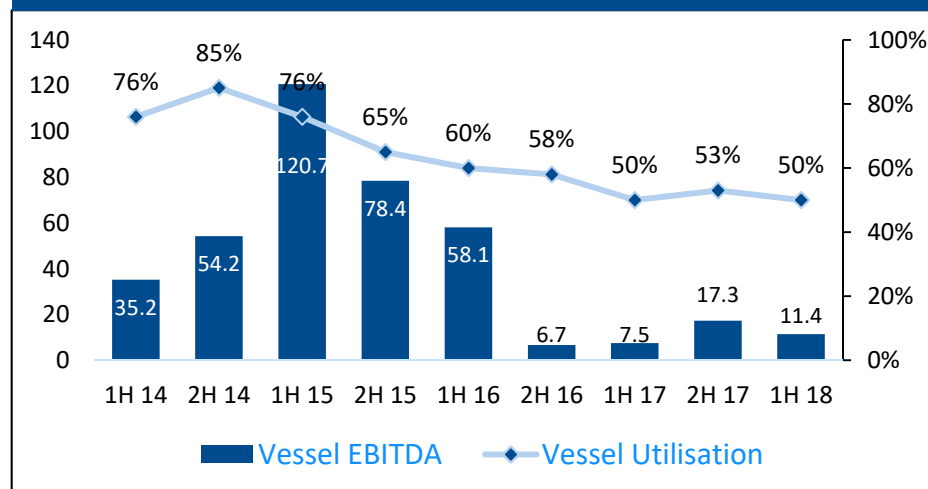
- 1H Utilisation 50%<sup>1</sup>; 65% excluding vessels held for sale
- Ongoing production support contracts in Australia underpinning utilisation for 6 vessels
- MMA Privilege contract in Côte d'Ivoire continues
- MMA Prestige and Pinnacle building a sound reputation in the IMR market securing several short and long term projects during the first half; currently bidding into a number of scopes
- MMA Centurion and Chieftain continue their contracts in the Middle East with a 3<sup>rd</sup> vessel expected to commence in 2H
- MMA Searcher and Vantage securing shorter term seismic work
- Market continues to be soft in South East Asia and Africa with no improvement in rates or utilisation
- Activity continues to be stronger in the Middle East but market remains highly competitive

## Outlook:

- Project activity in Australia expected to increase in 2H with work commencing on recently awarded Greater Enfield and Greater Western Flank 2 projects
- Challenging conditions expected to continue through FY18, however 2H expected to be stronger than 1H

Vessel Financials	Variance PCP	6 Months Ended 31 Dec 17	6 Months Ended 30 Jun 17	6 Months Ended 31 Dec 16
Revenue	↓ 22.7%	\$92.5M	\$102.1M	\$119.7M
EBITDA	↑ 52.0%	\$11.4M	\$17.3M	\$7.5M
EBITDA / Rev	↑ 6.0%	12.3%	16.9%	6.3%
EBIT <sup>2</sup>	↑ 79.7%	\$(4.1)M	\$0.3M	\$(20.2)M
EBIT/Rev <sup>2</sup>	↑ 12.5%	(4.4)%	0.3%	(16.9)%
ROA <sup>2</sup>	↑ 2.9%	(1.4)%	0.1%	(4.3)%

## Historical Performance – Vessels Division



<sup>1</sup> Utilisation includes laid up vessels and vessels held for sale, excludes barges

<sup>2</sup> EBIT / ROA normalised to exclude vessel impairment charges / impairment reversal



# Non-Core Vessel Sales



MMA's strategy to dispose of non-core vessels from its fleet has been successful, increasing cashflow, reducing holding costs, interest and overhead costs and enabling the company to reduce debt

Vessels sold to date

- 35 vessels sold since FY16 for a total of \$94m
  - FY16 - 15 vessels - \$34m;
  - FY17 - 11 vessels - \$33m;
  - FY18 YTD - 9 vessels - \$27m
- 3 vessels remaining on the sales list, with 1 of these already under contract

Progress towards \$30m debt repayment

- MMA committed to repay a minimum of \$30m from the proceeds of vessel sales by 31 December 2018
- \$26m in sales already completed towards the \$30m commitment
- Expect to meet the remaining \$4m from the sale of the last 3 vessels over the course of 2018

Strategy

- Sales programme has focused on vessels of limited future strategic value to MMA
- MMA's focus is on its core fleet of 28<sup>1</sup> high quality, specialised vessels where MMA can leverage its marine expertise to extract the most value from its assets

<sup>1</sup> Excludes barges





# Market Outlook – Regions



## All regions continue to experience low rates and utilisation, however tendering activity has increased

<p>Australia</p>	<ul style="list-style-type: none"> <li>• The Australian market is relatively stable in terms of production support</li> <li>• Construction work is available in short scopes as existing projects move into commissioning and production phases</li> <li>• Exploration activity continues to be subdued with the rig count at historically low levels, however we have seen an increase in seismic activity which is a positive sign for future drilling activity in the region</li> </ul>
<p>South East Asia</p>	<ul style="list-style-type: none"> <li>• The South East Asian market continues to be challenging with no improvement in utilisation or rates during the year</li> <li>• Tendering activity marginally increased across the region and there has been a larger number of tenders converting into actual contracts</li> <li>• Oversupply of vessels remains an issue, however, with increasing numbers of vessels in layup with significant reactivation cost inhibiting their return, the number of available and reliable vessels in the market is reducing</li> </ul>
<p>Middle East</p>	<ul style="list-style-type: none"> <li>• Activity in the Middle East continues to be strong, driven primarily by Saudi Aramco’s expansion activities in Saudi Arabia</li> <li>• Rates have, however, declined significantly over the past 2 years as operators mobilise vessels into the Middle East from other regions, increasing supply</li> <li>• We are currently seeing very strong tendering activity particularly in Saudi Arabia as well as increasing scopes of work coming to market from other countries</li> <li>• As a more difficult region to operate in, the Middle East is well suited to MMA’s skill set and we are focused on growing our presence in this region</li> </ul>
<p>Africa</p>	<ul style="list-style-type: none"> <li>• The West African market remains subdued with reduced activity and a significant oversupply of vessels</li> <li>• Longer term prospects for East Africa remain very promising following the recent sanctioning by ENI of its Coral South FLNG Project offshore Mozambique with first LNG production targeted for 2022</li> <li>• MMA has reduced its current presence in Africa but will seek to leverage its frontier LNG experience to expand into East Africa as activity in this region increases</li> </ul>



# Summary



- Macro environment remains challenging, however sentiment continues to be positive towards a recovery in the oil and gas industry
- Strengthened balance sheet through recent equity raising and debt amendments
- 1H FY18 financial result in line with expectations
- Secured additional project work in Australia for 2H
- Vessel sales programme close to completion with only 3 vessels remaining to be sold
- Streamlined business focusing on a core fleet of high specification vessels operating in key regions
- Ongoing focus on cost management
- Challenging conditions expected to continue through FY18, however 2H expected to be stronger than 1H due to project activity in Australia
- Continue to expect full year FY2018 operating EBITDA in line with previous guidance of \$18-20m



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# Vessel Listing (1 of 3)



Vessel	Name	Flag	Type	Year Built	Bollard Pull	LOA	BHP /DWT	Berths
Anchor Handling Tugs (AHT)								
MERMAID	SEARCHER	AUSTRALIA	AHT	2008	34	54	3200	34
MERMAID	COVE	AUSTRALIA	AHT	2013	70.3	52.4	5620	22
MERMAID	SOUND	AUSTRALIA	AHT	2007	70	50	7341	22
MERMAID	STRAIT	AUSTRALIA	AHT	2012	69	52.4	7341	24
Anchor Handling Tug Supply Vessels (AHTS)								
MERMAID	VANTAGE	SINGAPORE	AHTS	2009	66	59.2	5150	42
MERMAID	VOYAGER	AUSTRALIA	AHTS	2009	66	59.2	5150	42
MMA	ALMIGHTY	SINGAPORE	AHTS	2010	67.3	58.7	5150	42
MMA	CAVALIER	SINGAPORE	AHTS	2010	108	70	8000	50
MMA	CENTURION	SINGAPORE	AHTS	2011	102.5	70	8000	50
MMA	CONCORDIA	SINGAPORE	AHTS	2010	100	70.5	8000	42
MMA	CORAL	SINGAPORE	AHTS	2011	108	70	8000	50
MMA	CRYSTAL	SINGAPORE	AHTS	2012	104.2	70	8000	50
MERMAID	VISION	SINGAPORE	AHTS	2009	105	67.8	8000	32
MMA	CHIEFTAIN	SINGAPORE	AHTS	2010	102	70	8046	42
JAYA	MAJESTIC	SINGAPORE	AHTS	2014	160.7	78.2	12070	46
SEA	HAWK 1	MALAYSIA	AHTS	2009	155	75.4	12070	50



# Vessel Listing (2 of 3)



Vessel	Name	Flag	Type	Year Built	Bollard Pull	LOA	BHP /DWT	Berths
Platform Supply Vessels								
MERMAID	VIGILANCE	SINGAPORE	PSV	2009	-	70	2850 DWT	50
MMA	LEVEQUE	SINGAPORE	PSV	2010	-	75	3100 DWT	40
MERMAID	LEEUEWIN	SINGAPORE	PSV	2013	-	82.2	4000 DWT	28
MMA	PLOVER	AUSTRALIA	PSV	2015	-	81.7	4000 DWT	27
MMA	BREWSTER	AUSTRALIA	PSV	2016	-	81.7	4000 DWT	27
MMA	INSCRIPTION	SINGAPORE	PSV	2012	-	87.1	5188 DWT	48
JAYA	VALOUR	MALAYSIA	PSV	2013	-	83.6	5509 DWT	60
Multi-purpose and IMR Vessels								
MMA	PRIDE	SINGAPORE	MPV	2013	-	78	5150	148
MMA	PRIVILEGE	SINGAPORE	MPV	2015	-	90	10459	239
MMA	PRESTIGE	SINGAPORE	IMR	2016	-	87.8	3000 DWT	100
MMA	PINNACLE	SINGAPORE	IMR	2016	-	87.8	3000 DWT	100
JAYA	VIGILANT	SINGAPORE	IMR	2013	-	83.6	5188 DWT	60
Barges								
MERMAID	ESPERANCE	SINGAPORE	BARGE	2010	-	76.2	-	-
JAYA	300	SINGAPORE	BARGE	2008	-	87.8	9114 DWT	-



# Vessel Listing (3 of 3)



Vessel	Name	Flag	Type	Year Built	Bollard Pull	LOA	BHP /DWT	Berths
Vessels Held for Sale								
JAYA	AMARA	SINGAPORE	AHTS	2009	60.2	58.7	4824	42
MMA	CONFIDENCE	SINGAPORE	AHTS	2011	105	70.5	8000	42
MDPL	CONTINENTAL ONE	SINGAPORE	AHTS	2010	121	70.5	8000	42



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