



**Mermaid**  
SUBSEA SERVICES



MERMAID MARITIME  
PUBLIC COMPANY LIMITED



# 2Q 2017 Results

11 Aug 2017

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# Agenda

- Business Report
- Financial Review
- Business Outlook

# Business Report



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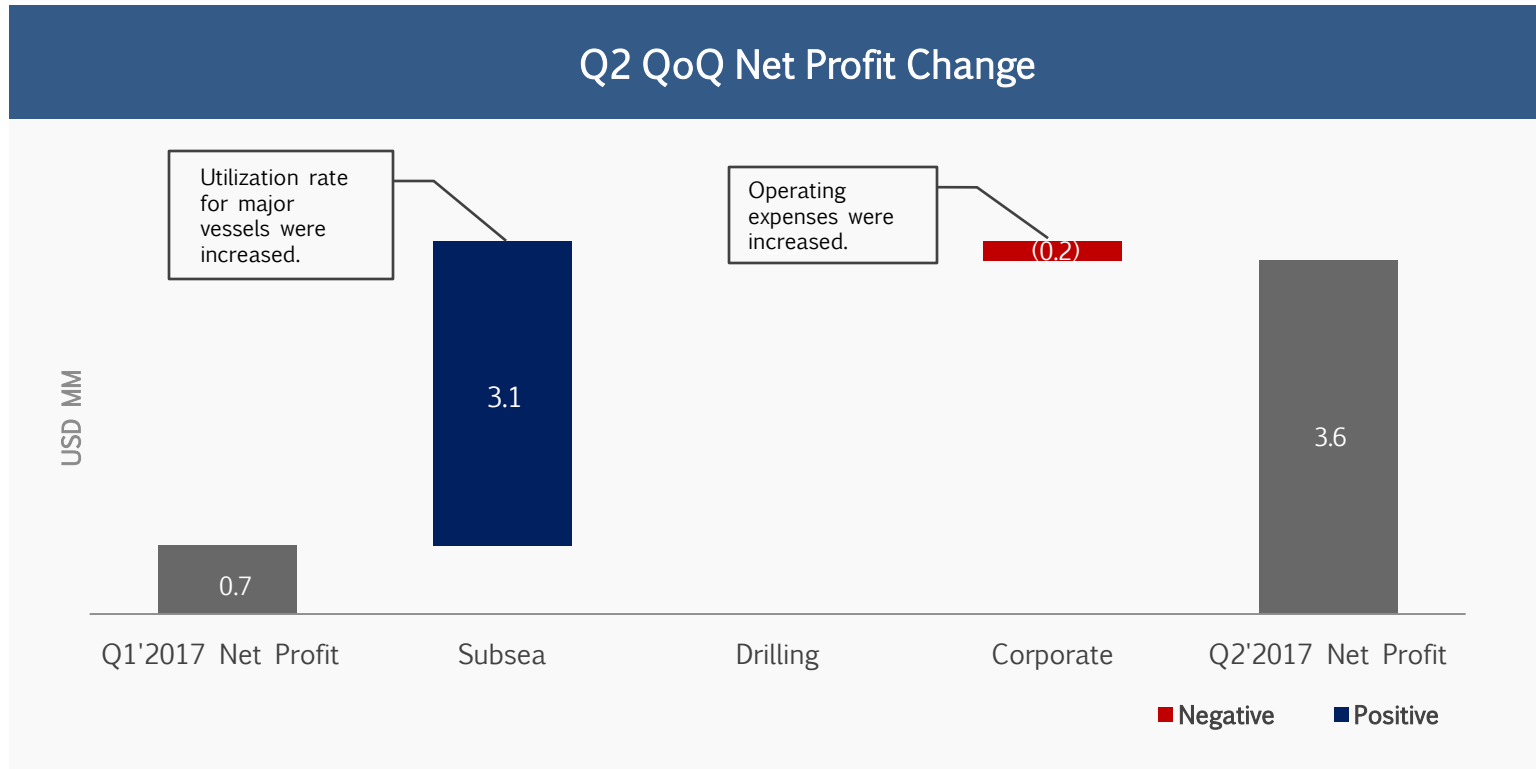




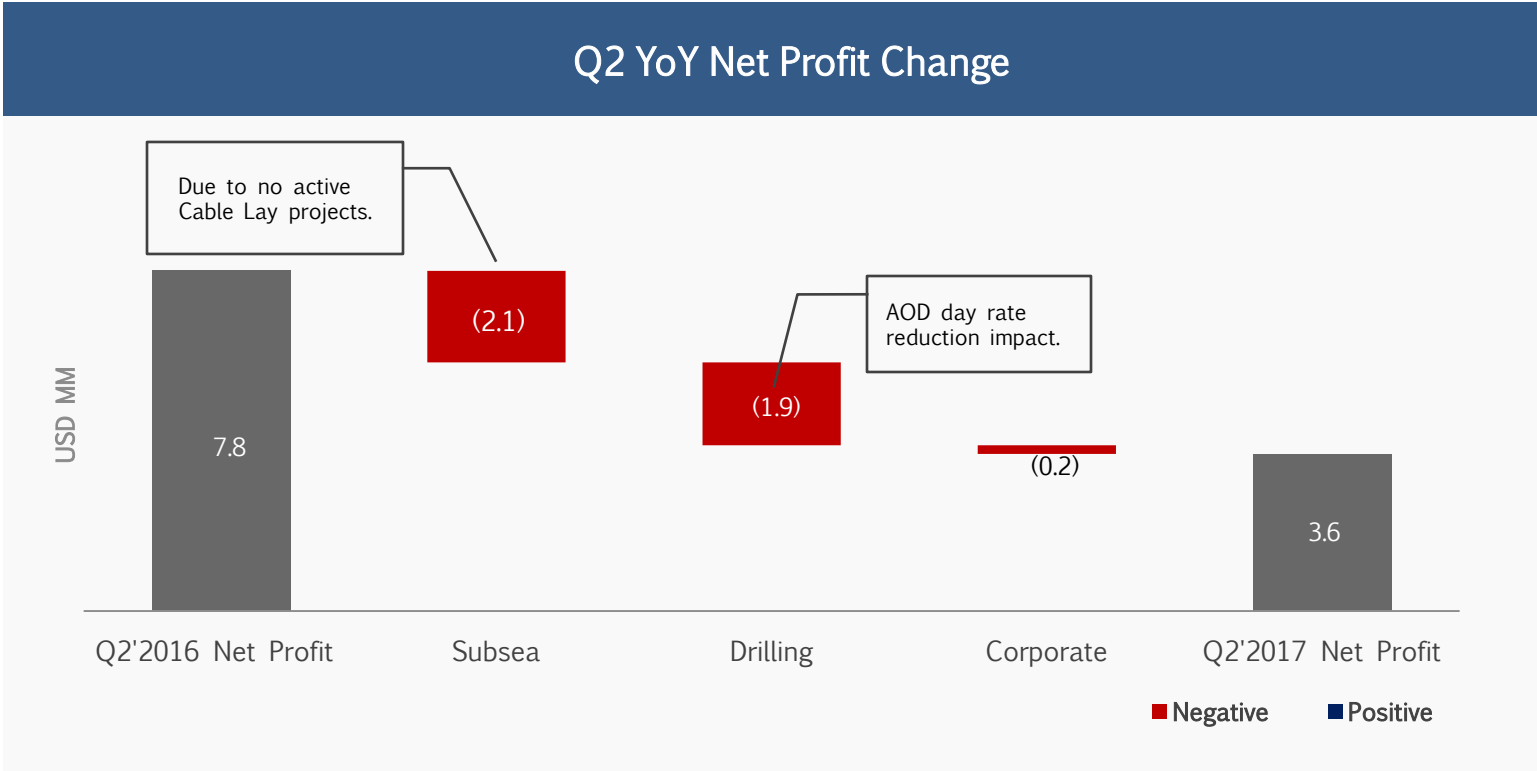
## 2Q 2017 Highlights

- Although an overall market challenge, utilization rate of major vessels still improved vs 2Q16.
- Revenue dropped -10.4% YoY due to no active cable lay projects in 2Q17.
- Net profit decreased as a result of lower AOD's profit sharing and revenue drop impact.
- Continued positive cash flow from operation USD 5.9M and balance sheet remained in healthy position.
- Order book (excl. AOD) stood at USD 98.6m at the end of June 2017.
- Focused strategic direction to seek out new customer in new regions, Singapore and Middle East GCC country.

# 2Q earnings improved QoQ – Utilization pick up

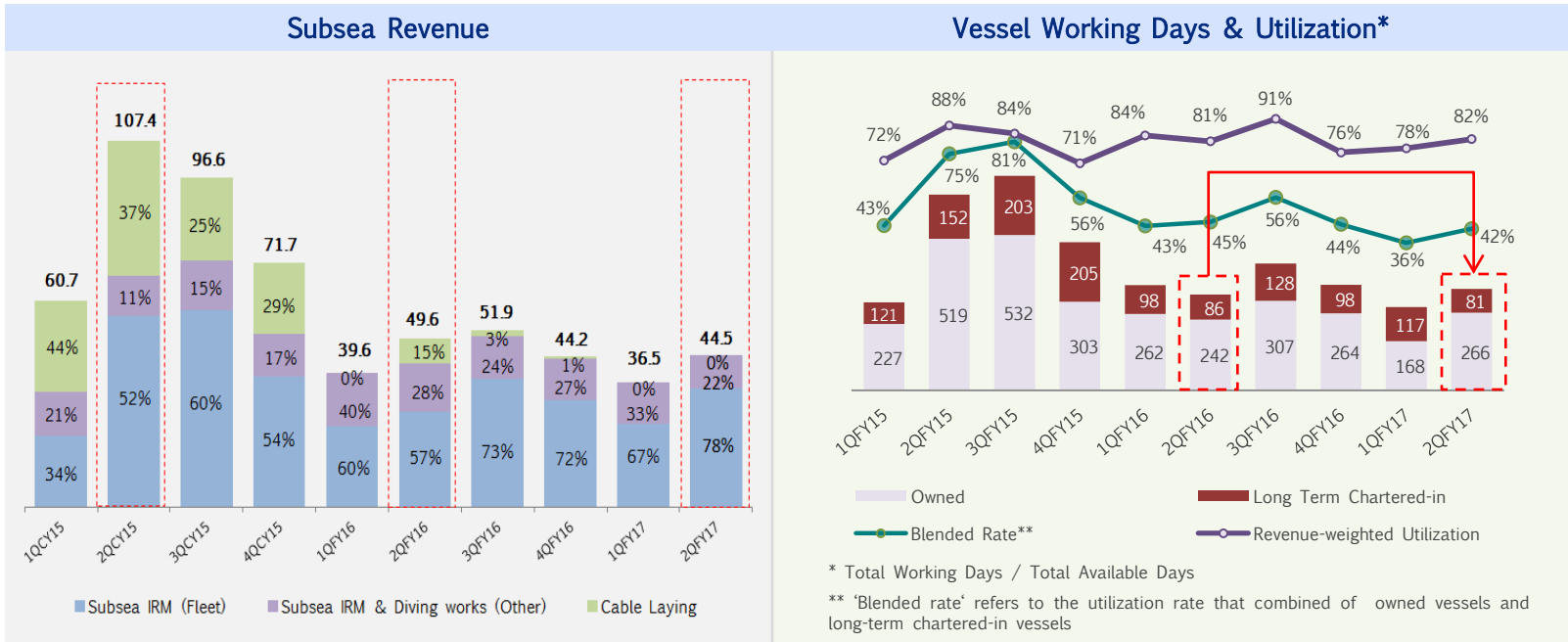


# Net profit declined from Cable lay business and lower AOD's profit sharing





# 4 Major vessels utilization improved YoY



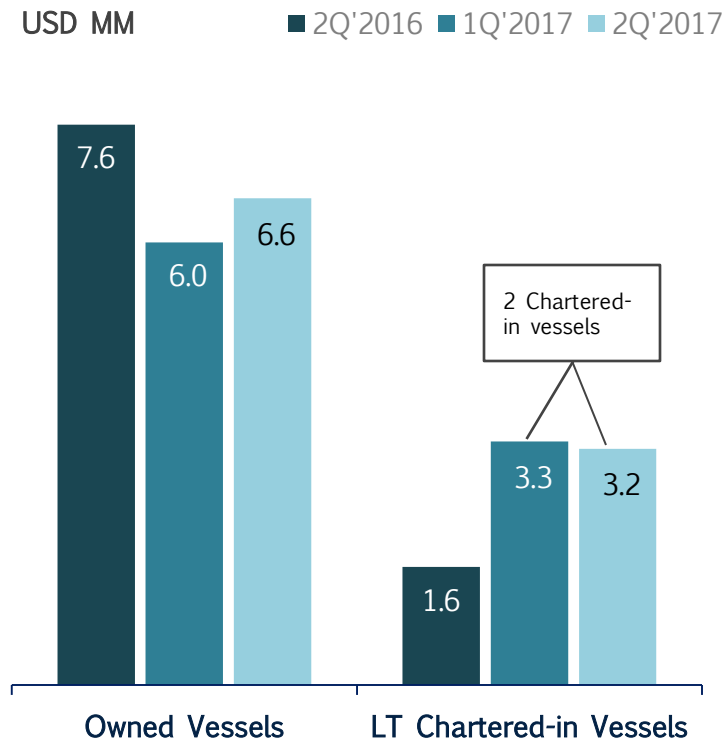
2Q'17 vessel utilization slightly dropped to 42%, compare to 45% of the same period last year

- The drop was mainly a result of Chartered-in vessels utilization decreasing.
- The 4 major vessels i.e. Mermaid Commander, Mermaid Asiana, Mermaid Endurer, and Mermaid Sapphire, had average utilisation of 73% higher than the last year of 66%.

# Still remains focusing in cost optimization



## Vessel Running Costs Reduction



## Description of Key Drivers

### Owned vessels

- Cold stacking non-performing vessels;
  - Mermaid Siam in 1Q'16
  - Mermaid Challenger in 2Q'16
  - SS Barakuda in 2Q'16
- VRC reductions on active vessels:
  - Most of reduction was in Marine Crew expenses.

### Long-term chartered-in vessels

- Two vessels, the 'Resolution' and 'Nusantara', remain on hire vessel in Q2'17.
- 'Nusantara' was returned to Owner during 1Q – 2Q'16 when on-going contracts were completed.

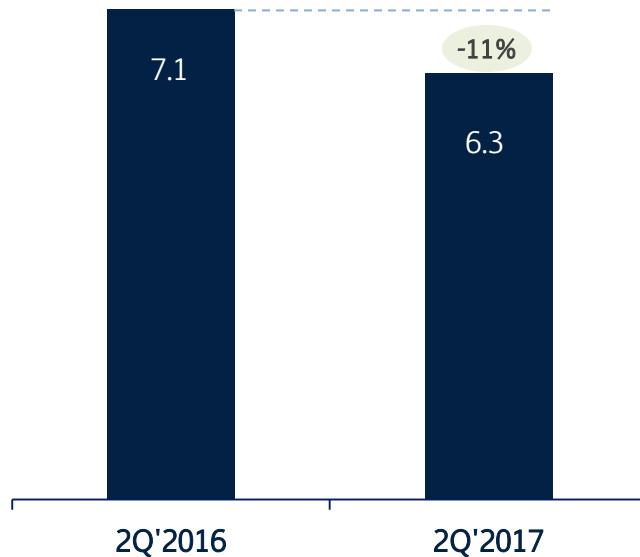


# SG&A improved 11% YoY by cost saving actions



## SG&A Expenses Decreased

USD MM



## Description of Key Drivers

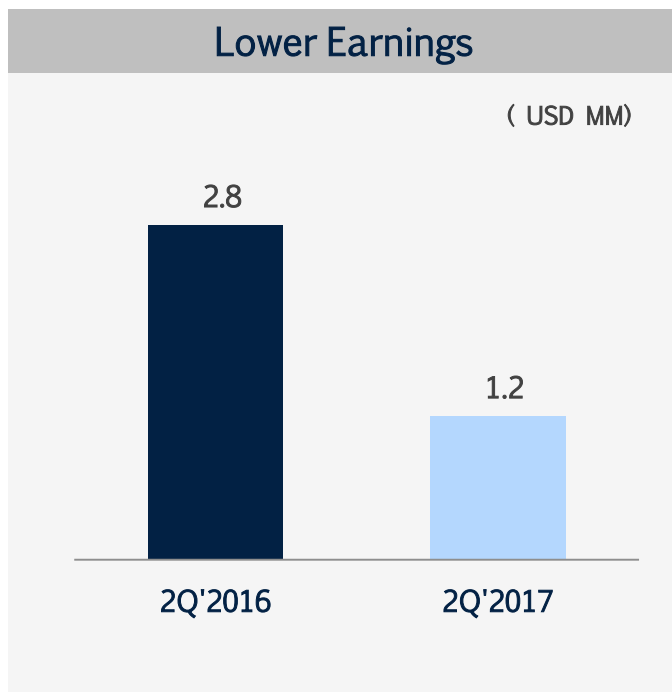
- Cost savings program delivered a good results -11% YOY.
- Saving was mainly driven by staff and employee related expenses.

# AOD's earnings contribution dropped due to day rate reduction



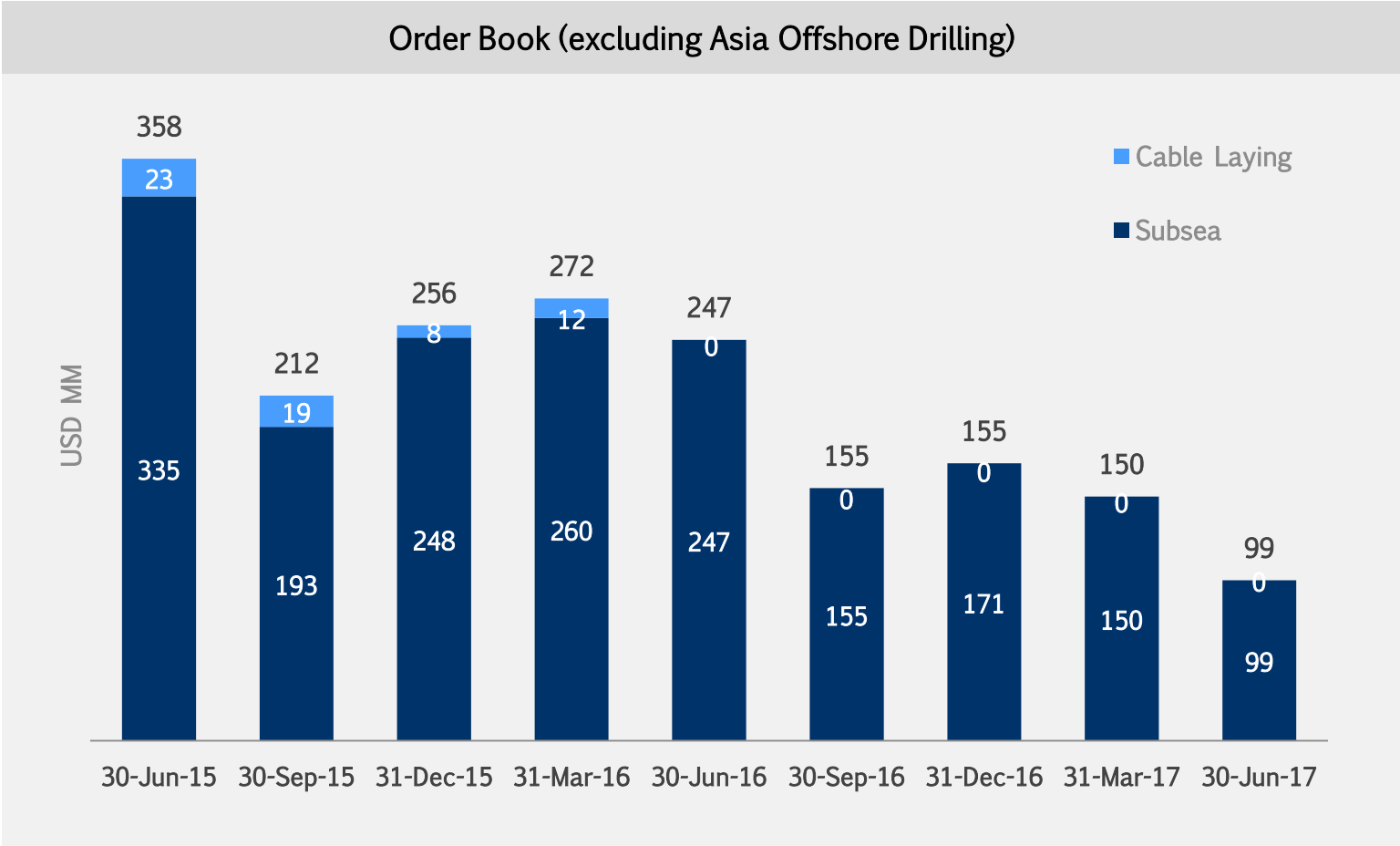
|         | 2013        |   |   |   | 2014     |   |   |   | 2015 |   |   |   | 2016      |   |   |   | 2017        |   |   |   | 2018      |   |   |   | 2019        |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---------|-------------|---|---|---|----------|---|---|---|------|---|---|---|-----------|---|---|---|-------------|---|---|---|-----------|---|---|---|-------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
|         | J           | F | M | A | M        | J | J | A | S    | O | N | D | J         | F | M | A | M           | J | J | A | S         | O | N | D | J           | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N |
| AOD I   | Finished    |   |   |   |          |   |   |   |      |   |   |   | Confirmed |   |   |   | Unconfirmed |   |   |   | Confirmed |   |   |   | Unconfirmed |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| AOD II  | Unconfirmed |   |   |   | Finished |   |   |   |      |   |   |   | Confirmed |   |   |   | Unconfirmed |   |   |   | Confirmed |   |   |   | Unconfirmed |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| AOD III | Unconfirmed |   |   |   | Finished |   |   |   |      |   |   |   | Confirmed |   |   |   | Unconfirmed |   |   |   | Confirmed |   |   |   | Unconfirmed |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |

■ Finished ■ Confirmed ■ Unconfirmed



- In 2Q/2017, 100% average utilization for 3 rigs.
- Rate reduction effective during contract renewal in 2016 and resulting bareboat charter decrease led to a lower contribution YoY.
- Contract period
  - AOD I – 3 years expiring in June 2019
  - AOD II – 3 years expiring in July 2019
  - AOD III – 3 years expiring in December 2019

# Order book stood at USD 98.6M as the end of 2Q'2017



# Financial Review



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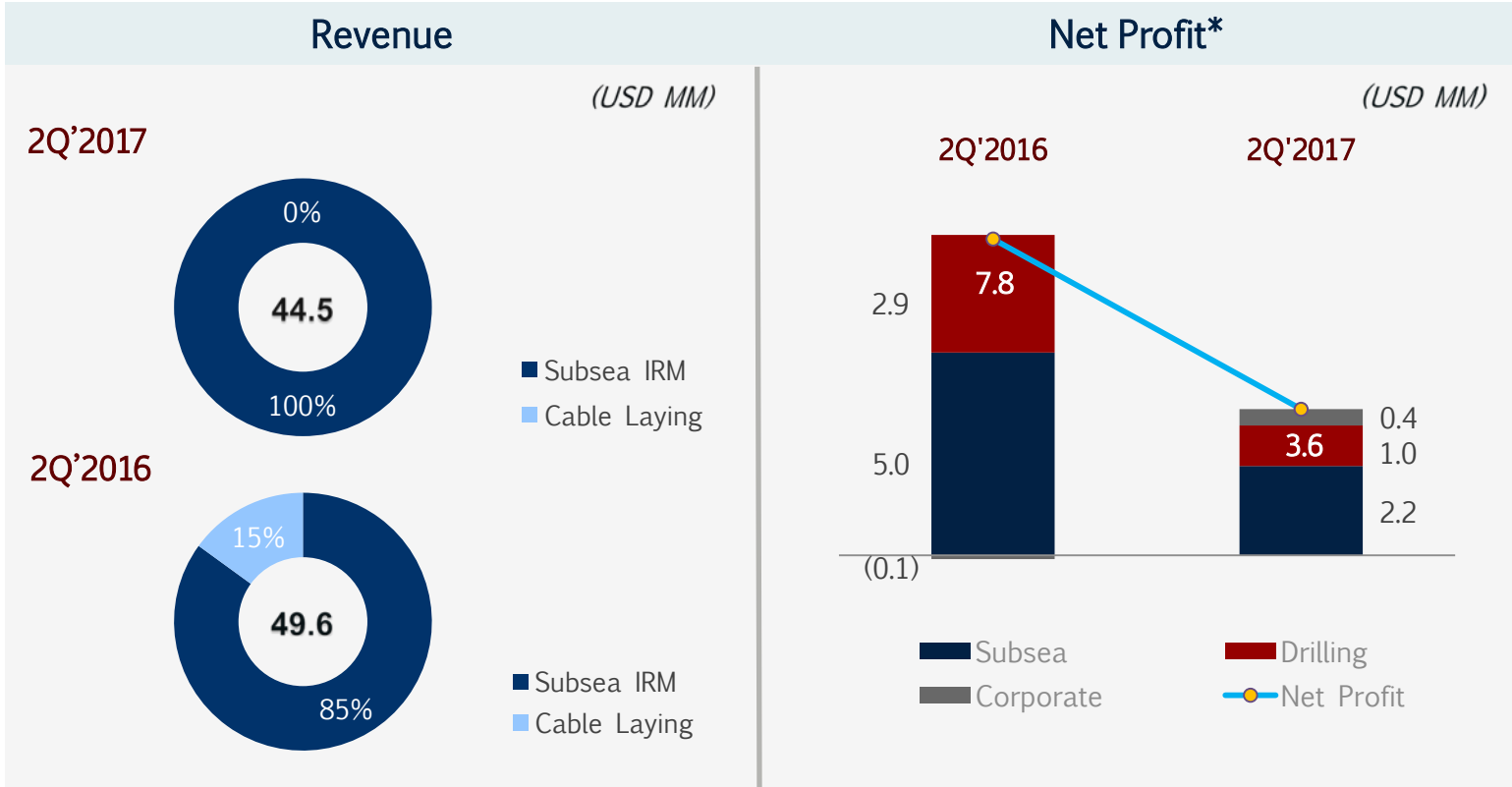




## 2Q'2017 Profit & Loss (3-month period)

| USD MM                        | 2Q'2017 | 2Q'2016 | Δ %    |
|-------------------------------|---------|---------|--------|
| Turnover                      | 44.5    | 49.6    | (10.3) |
| EBITDA                        | 8.1     | 10.4    | (22.1) |
| Profit From Operations        | 4.5     | 8.7     | (48.3) |
| EBIT                          | 3.3     | 5.2     | (36.5) |
| Associates & JV Equity Income | 1.2     | 3.5     | (65.7) |
| Finance Cost                  | (0.9)   | (0.9)   | -      |
| Profit Before Tax             | 3.6     | 7.8     | (53.8) |
| Tax Benefit (Expense)         | -       | -       | -      |
| Net Profit                    | 3.6     | 7.8     | (53.8) |
| EPS (US cents)                | 0.3     | 0.5     | (40.0) |

# 2Q'2017 Segmental Contribution (3-month period)



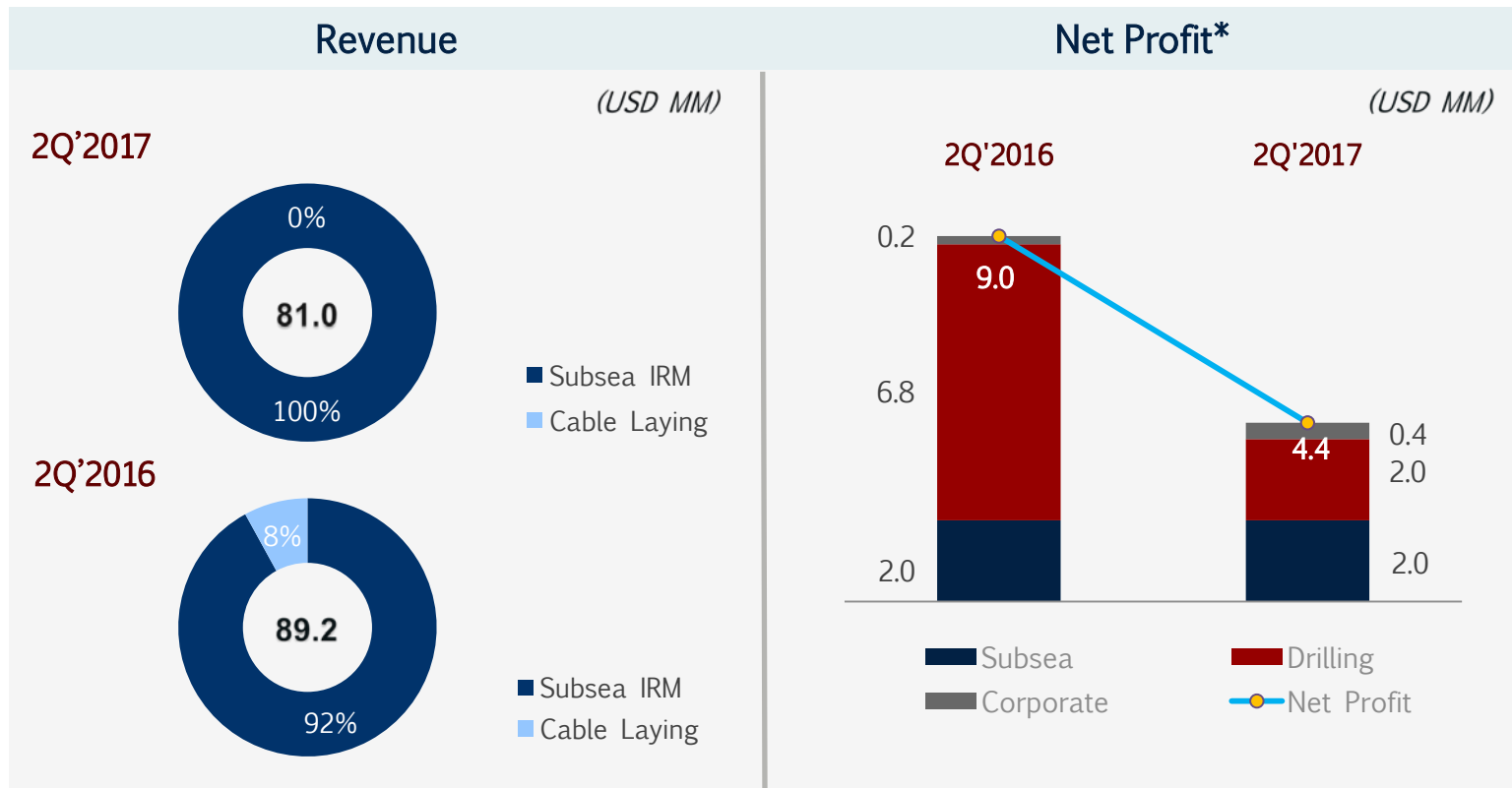
\* FX effects from intercompany loans have been eliminated



## 2Q'2017 Profit & Loss (6-month period)

| USD MM                        | 2Q'2017 | 2Q'2016 | Δ %     |
|-------------------------------|---------|---------|---------|
| Turnover                      | 81.0    | 89.2    | (9.2)   |
| EBITDA                        | 13.8    | 12.5    | 10.4    |
| Profit From Operations        | 6.2     | 9.9     | (37.4)  |
| EBIT                          | 3.8     | 2.2     | 72.7    |
| Associates & JV Equity Income | 2.4     | 7.7     | (68.8)  |
| Finance Cost                  | (1.8)   | (1.7)   | 5.9     |
| Profit Before Tax             | 4.4     | 8.2     | (46.3)  |
| Tax Benefit (Expense)         | -       | 0.8     | (100.0) |
| Net Profit                    | 4.4     | 9.0     | (51.1)  |
| EPS (US cents)                | 0.3     | 0.6     | (50.0)  |

# 2Q'2017 Segmental Contribution (6-month period)



\* FX effects from intercompany loans have been eliminated



# 2Q'2017 resulted in positive Cash Flows (6-month period)



| USD MM                                                     | 2017         | 2016          |
|------------------------------------------------------------|--------------|---------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                 |              |               |
| Before Changes in Working Capital                          | 13.9         | 15.2          |
| Changes in Working Capital                                 | (6.6)        | 14.6          |
| Others                                                     | (1.4)        | (3.1)         |
|                                                            | <b>5.9</b>   | <b>26.7</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                 |              |               |
| Dividend and Interest Received                             | 0.4          | 6.9           |
| Payment for Purchase of PPE and Intangible Assets          | (1.1)        | (1.1)         |
| Short-term Deposit at Financial Institution                | 5.0          | -             |
|                                                            | <b>4.3</b>   | <b>5.8</b>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                 |              |               |
| Interest Paid                                              | (1.7)        | (1.7)         |
| Short-term and Long-term Loans from Financial Institutions | (4.0)        | (9.1)         |
|                                                            | <b>(5.7)</b> | <b>(10.8)</b> |
| <b>Net increase in cash and cash equivalents</b>           | <b>4.5</b>   | <b>21.7</b>   |
| <b>Cash Balance as at 30 June</b>                          | <b>66.8</b>  | <b>79.3</b>   |



# Balance Sheet remains healthy

## Liquidity indicators

- Cash & Deposits Balance = USD98.0mm
- Current Ratio = 3.85x

## Leverage Ratio

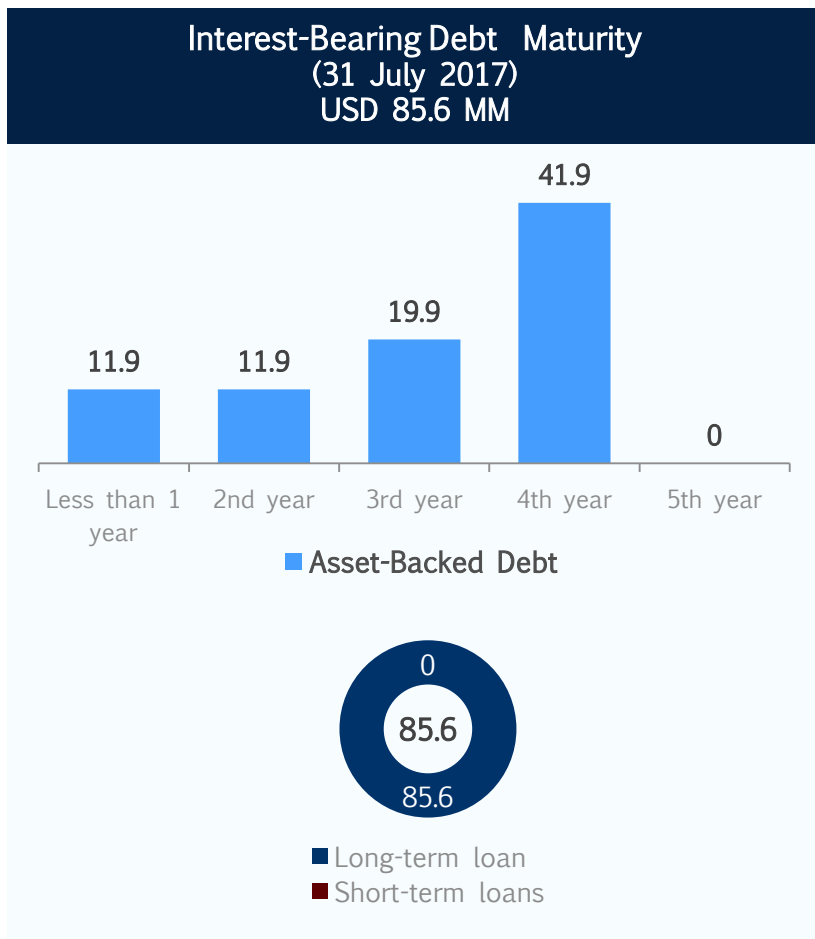
- Debt to Equity Ratio = 0.35x
- Interest Bearing Debt to Equity = 0.25x
- Net Gearing = N/A *Net positive cash balance*
- DSCR = 1.75x

| USD MM                         | 30-Jun-2017  | 31-Dec-2016  | Δ (%)        |
|--------------------------------|--------------|--------------|--------------|
| Current Assets                 | 171.1        | 174.1        | (1.7)        |
| Non-Current Assets             | 292.1        | 298.0        | (2.0)        |
| <b>Total Assets</b>            | <b>463.2</b> | <b>472.1</b> | <b>(1.9)</b> |
| Current Liabilities            | 44.4         | 51.5         | (13.8)       |
| Non-Current Liabilities        | 76.3         | 82.3         | (7.0)        |
| <b>Total Liabilities</b>       | <b>120.7</b> | <b>133.8</b> | <b>(9.8)</b> |
| <b>Total Equity</b>            | <b>342.5</b> | <b>338.3</b> | <b>1.2</b>   |
| Property, Plant and Equipment  | 189.6        | 198.2        | (4.3)        |
| Bank Balances, Deposits & Cash | 98.0         | 97.7         | 0.3          |
| Total Borrowings               | 85.6         | 89.5         | (4.4)        |

| USD MM                       | 30-Jun-2017 | 31-Dec-2016 | 31-Dec-2015  |
|------------------------------|-------------|-------------|--------------|
| <b>Interest Bearing Debt</b> |             |             |              |
| Asset-backed Financing       | 85.6        | 89.5        | 97.4         |
| Unsecured Loan               | -           | -           | 10.0         |
|                              | <b>85.6</b> | <b>89.5</b> | <b>107.4</b> |
| Cash and Cash Equivalent     | (98.0)      | (97.7)      | (63.3)       |
| Net Debt / (Cash)            | (12.4)      | (8.2)       | 44.1         |
| Shareholder Funds            | 342.5       | 338.3       | 321.0        |
| Net Gearing                  | <b>N/A</b>  | N/A         | 13.7%        |

# Debt Maturity Profile

## Remains high financial liquidity and flexibility



In Financial Statements, USD 85.6M of LT loans, majority of debt maturity profile is 4 years onward, liquidity risk is low with high financial flexibility.

# Business Outlook and Positioning



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# Business Outlook

- 1 Market appears to have bottomed-out, but oil prices have continued to hover around the USD50/bbl mark. This in turn has prevented several CAPEX projects going ahead and has severely reduced the amount of IRM work available.
- 2 Approximately 18 new-build SAT DSVs are expected to be completed in 2017 and 2018, with several set to join established or start-up contractors for direct entry in to the subsea market, whilst other new-builds are 'homeless' and remain owned by the shipyard as they were built speculatively or the original buyers have defaulted.
- 3 Utilisation of key assets remains a key revenue driver. Cost cutting and consolidation remain essential.
- 4 Regional repositioning of key assets may now be required by Mermaid as we look to achieve better utilization figures given the overall reduction in the amount of subsea work actually available.
- 5 Subsea firms need to become lean and mean but still retain the capacity to execute safely & efficiently.



# Business Outlook

|   |                                                                                                                                                                                                                                           |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | All three jack-up drilling rigs 'AOD I', 'AOD II' and 'AOD III' secured contract extensions in Middle East for another three years until 2019 thus reducing downside risk as market recovers. AOD loan refinancing continues in progress. |
| 7 | Mermaid Challenger, Mermaid Siam, Barakuda, 'MTR-1' and 'MTR-2' are cold stacked to reduce cost and marketed for sale.                                                                                                                    |
| 8 | Cash preservation is important to remain resilient until eventual market recovery. Yet remain open for opportunistic asset acquisitions.                                                                                                  |
| 9 | Mermaid leveraging on reputation and stability to access additional geographical markets and cross-sell services across regions. Recent success in entering new countries in South East Asia and Middle East GCC.                         |



# Mermaid – Industry positioning



Geographical coverage and shallow water focused

- Shallow water – more defensive and less affected by lower oil price.
- Local joint venture in cabotage-protected markets serving NOCs in those countries, Qatar, Saudi Arabia and Indonesia.



IRM focused, new established cable laying and subsea engineering

- IRM – Medium to long-term demand is expected to remain relatively intact which should bode well for ongoing production requirement.
- Cable and flexible pipe lay service expansion, additional engineering services.



Track record of quality and safety, modern asset base

- Excellence operational and safety record and stable management team.
- Young subsea fleet with chartering-in plan to serve fluctuating demand.
- AOD's three jack-up drilling rigs contract extended to 2019.



Fiscal Discipline

- Retain low gearing and sufficient cash reserve.
- Flexibility to take advantage of any opportunistic and organic growth that may present itself in the present time.



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# 2Q 2017 Results

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