

**45**  
Years of  
Leadership

# Offshore & Marine Engineering Sector in Singapore (March, 2018)



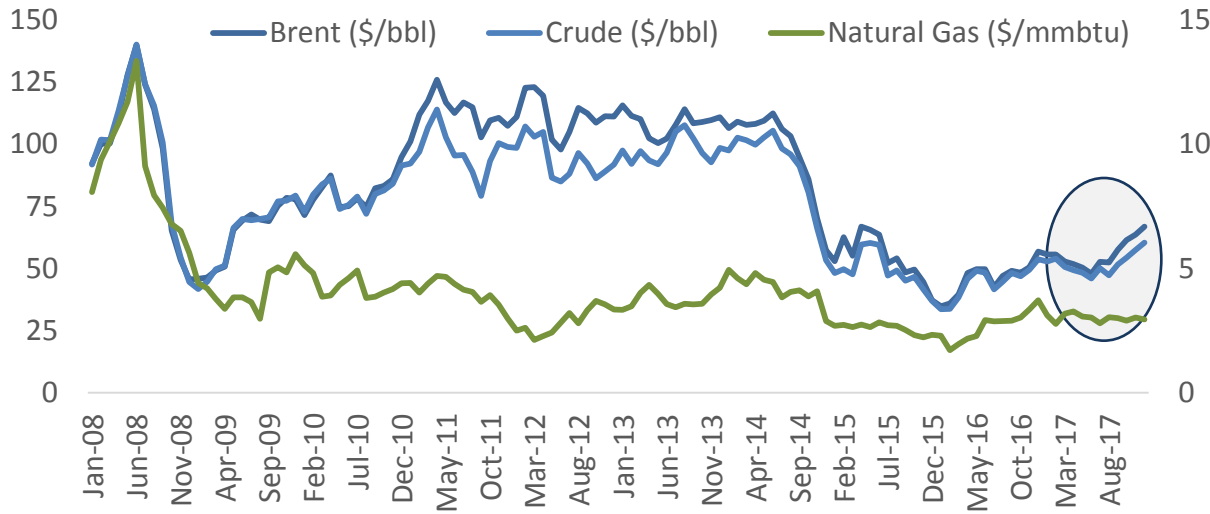
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# Oil & Gas Prices – Key Trigger for the O&M Sector

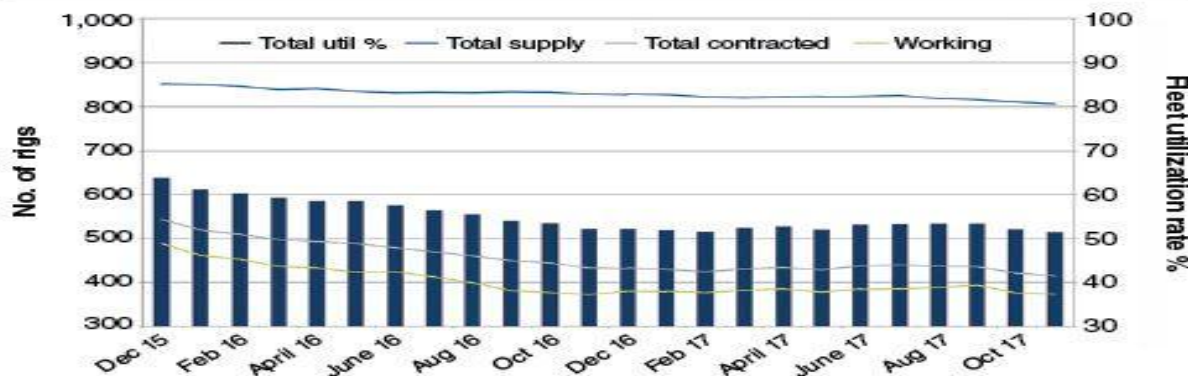
Price Movements- Past 10 years



## 2017 - the year gone by

- Politics, natural disasters, and geopolitical tensions dominated the headlines in 2017 and impacted the oil and gas sector too
- Crude oil ranged between US\$45/bbl and US\$55/bbl for most of 2017 before it broke out to trade above the US\$60/bbl in Nov-17.
- The global rig count has bottomed out since Jun-17 with an improving utilisation rate.
- Improving operating environment was experienced in the latter part of 2017

Worldwide offshore rig count & utilization rate (Dec. 2015 – Nov. 2017)



Source: IHS Markit RigPoint Notes: Rig types included are jackups, semis, and drillships.

## Oil & Gas Sector – Outlook for 2018

### *What Experts Say...*

Notwithstanding compliance changes from OPEC, Russia and non OPEC producers, oil prices will continue their stable upward trajectory

Improving market fundamentals of US & other developed economies will lead to expansion in production due to rising demand in developed & emerging markets.

Increase in production will support midstream and service companies

Rig count is expected to increase further with better utilization rate

Further escalation in geopolitical tensions with North Korea and uprisings in Iran could create volatility

Natural gas prices, will benefit from higher demand, but price gains will still be limited

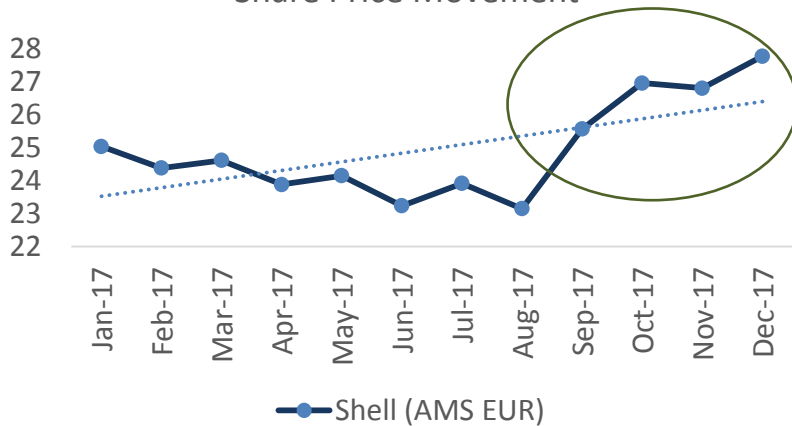
# Q4CY2017 Performance of Leading Oil Exploration Companies

## Royal Dutch Shell PLC

\$ millions

Particulars	Q4FY2016	Q4FY2017
Sales & Other Operating Revenue	64,767	85,422
<i>Revenue YOY Change</i>		31.89%
Total Expenditure	55,991	74,792
Operating Profit	8,776	10,630
<i>Operating Profit YOY Change</i>		21.13%
Earning Before Interest and Tax	4,543	7,536
Profit After Tax	1,541	3,807
<i>PAT YOY Change</i>		147%

Share Price Movement

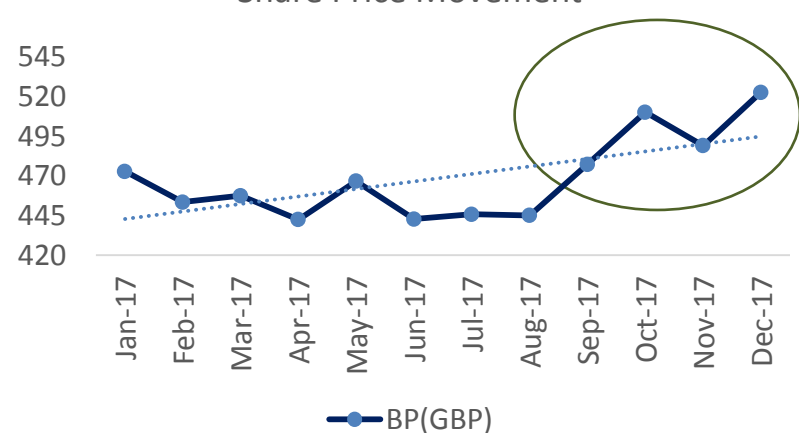


## BP PLC

\$ millions


Particulars	Q4FY2016	Q4FY2017
Sales & Other Operating Revenue	51,007	67,816
<i>Revenue YOY Change</i>		32.95%
Total Expenditure	47,683	63,517
Operating Profit	3,324	4,299
<i>Operating Profit YOY Change</i>		29.21%
Earning Before Interest and Tax	1,101	1,856
Profit After Tax	543	63
<i>PAT YOY Change</i>		-88.39%

Share Price Movement



- Strong performance by major E&P companies will lead to better prospects for offshore and marine companies in Singapore

## Offshore and Marine Sector in 2017



The beleaguered offshore and marine (O&M) sector continued to grapple with Debt restructuring during 2017

Large company like Ezra Holdings filed for bankruptcy protection with the US Court

Shares of another large company Ezion Holding were suspended for trading, it recently announced a successful closure of a debt restructuring plan with its lenders

Rickmers Maritime was wound up and delisted

As per market information, even Pacific Radiance is facing turbulence with its restructuring proposal

Unravelling of Keppel Offshore & Marine's corruption scandal in Brazil also impacted the sector

## Offshore and Marine Sector - 2017

### Changes in share prices in last three years of listed companies in O&M Sector

Offshore Services			
Company Name	Closing Price*	Closing Price#	Change in %
Nordic Group	0.108	0.585	442%
Heatec Jietong Holdings	0.081	0.07	-14%
Kim Heng Offshore & Marine	0.169	0.098	-42%
Hoe Leong Corporation	0.044	0.024	-45%
Pacc Offshore Services Holdings	0.55	0.385	-30%
Civmec	0.69	0.535	-22%
Jason Marine Group	0.225	0.13	-42%
Sinwa	0.24	0.235	-2%
CH Offshore	0.52	0.165	-68%
IEV Holdings	0.132	0.035	-73%
MTQ Corporation	1.09	0.335	-69%
SBI Offshore	0.29	0.067	-77%
AusGroup	0.22	0.051	-77%
Mermaid Maritime	0.225	0.16	-29%
Charisma Energy Services	0.019	0.003	-84%
Pacific Radiance	0.81	0.078	-90%
Gaylin Holdings	0.54	0.059	-89%
Jasper Investments	0.006	0.018	200%

\*Closing price per share is as on 29<sup>th</sup> December 2014, if not available, closing price of the immediate day after, on which the share was traded.

# Closing price per share is as on 26<sup>th</sup> February 2018, if not available, closing price of the immediate day before, on which the share was traded.

## Offshore and Marine Sector - 2017

### Changes in share prices in last three years of listed companies in O&M Sector

Company Name	Closing Price*	Closing Price#	Change in %
Vallianz Holdings	0.051	0.014	-73%
Atlantic Navigation Holdings	0.39	0.132	-66%
XMH Holdings	1.08	0.25	-77%
Emas Offshore	NA	Suspended	-
Falcon Energy Group	0.26	0.067	-74%
Ezion Holdings	1.15	Suspended	-
KTL Global	0.137	0.044	-68%
Viking Offshore and Marine	0.079	0.014	-82%
NauticAWT	0.29	0.03	-90%
KS Energy	0.395	0.032	-92%
Ezra Holdings	0.53	Suspended	-
Jaya Holdings	0.7	Suspended	-
Swiber Holdings	Suspended	Suspended	-
Swissco Holdings	Suspended	Suspended	-

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## Offshore and Marine Sector - 2017

### Changes in share prices in last three years of listed companies in O&M Sector

Company Name	Closing Price*	Closing Price#	Change in %
<b>Shipping</b>			
Pan Ocean Co	4.1	5.385	31%
Samudera Shipping Line	0.235	0.215	-9%
Singapore Shipping Corporation	0.285	0.222	-22%
Marco Polo Marine	0.28	0.04	-86%
Pan-United Corporation	0.825	0.41	-50%
Manhattan Resources	0.39	0.09	-77%
Seroja Investments	0.078	0.033	-58%
Courage Investment Group	NA	0.242	-
Berlian Laju Tanker	Suspended	Suspended	-
Mercator Lines Singapore*	Suspended	Suspended	-

<b>Shipyards</b>			
Avic International Maritime	0.09	0.15	67%
Yangzijiang Shipbuilding Holdings	1.28	1.49	16%
Cosco Shipping International	0.57	0.48	-16%
Sembcorp Marine	2.92	2.19	-25%
Keppel Corporation	8.94	8.05	-10%
Vard Holdings	0.46	0.25	-46%
Beng Kuang Marine	0.792	0.082	-90%
ASL Marine Holdings	0.445	0.104	-77%
Dyna-Mac Holdings	0.31	0.14	-55%
ES Group Holdings	0.128	0.04	-69%
Nam Cheong	0.305	Suspended	-
Triyards Holdings	0.51	Suspended	-
JES International Holdings	Suspended	Suspended	-

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## Analyst take on O&M Sector –in 2018

Analyst have a **neutral** stand on the O&M sector going into 2018

### Positives

- They are expecting return of non-drilling orders as a key catalyst for recovery - in particular floating production storage and offloading (FPSO) vessels and FLNG terminals - bode well for the sector.
- Consolidation may be looming on the horizon for large-cap yard operators and small- to mid-cap offshore support vessel players
- E&P companies surveyed by Pareto Securities have also raised the planning oil price for their 2018 budget to US\$52, up from US\$49 for 2017, implying they are inclined to fund more upstream projects.
- Keppel O&M and SembMarine have been making headway by expanding beyond the rig-building market and into new areas Offshore engineering

### Negatives

- Margin erosions will continue to squeeze O&M operators that are laden with overcapacity.
- Competition for turnkey contracts linked to production facilities has been cut-throat. For instance, in the tender for the Johan Castberg contract with Statoil, trade media reported that SembMarine out-bid its closest rival by US\$70 million with a US\$490 million offer.
- Upstream Companies contract awards not expected to return to pre-2014 levels even by 2020.
- Charter rates for rigs and vessels - two sub-sectors dragged down by big supply gluts - could further decline in 2018.
- Low day rates for offshore support vessels (OSV) may be here for two to three more years.

## Restructuring Case Study – Marco Polo Marine



High Court sanctioned two schemes of arrangement for Marco Polo Marine and its key subsidiary. This is the 1st debt restructuring plan that calls for direct haircuts in O&M sector

Support from three key local lenders – DBS, OCBC and UOB – towards a plan tabling 69% haircut on bank loans amounting to S\$202 million.

Nine new investors have pledged S\$60 million new equity conditional among others on success of its debt restructuring

The company is proposing to issue 2.1 billion shares at 2.8 Singapore cents each to the nine new investors. A further one billion shares at 3.5 Singapore cents each will be placed with the company's creditors.

In exchange for the shareholders' support, the company is also proposing to issue 269.2 million free warrants on the basis of eight warrants for every 10 common shares held. Each warrant has an exercise price of 3.5 Singapore cents.

## Restructuring Case Study – Ezion Holdings

### Secured Lenders

Secured Lenders have agreed to a 6-year refinancing plan for their existing facilities

- ✓ Minimum fixed principal repayments
- ✓ Reduction of interest rates
- ✓ Extend further support with additional working capital line of up to approximately US\$118 million

**US\$ 1.5 billion**  
*outstanding*

### Security Holders

Consent Solicitation Exercise for securityholders successfully passed on 20<sup>th</sup> November 2017

- ✓ Maturity profile to be similarly extended by 6 to 10 years
- ✓ Reduction in interest rate: 0.25% Per annum
- ✓ Lifting of all covenants
- ✓ Securityholders elected between two options

Option 1	Convertible bonds (\$\$452.5m or 79% of total outstanding)
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Option 2	Straight bonds (\$\$122.5m or 21% of total outstanding)
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**S\$ 575 million**  
*outstanding*

### Unsecured Lenders

- ✓ Exit via exercise of stapled warrants to convert outstanding amount to equity
- ✓ Reduction in interest rates

**US\$ 18 million**  
*outstanding*

### Shareholders

- 3 Warrants for every 5 shares to be issued to shareholders
- ✓ Exercise price of S\$0.2487 if exercised *within* 60 days or S\$0.2763 if exercised *after* 60 days
- ✓ Exercise period of 5 years

**2,074 million**  
*existing shares*

# Restructuring Case Study – Ezion Holdings



S No.	Proposed Transaction	Issue Price	Within 60 Days Early Conversion/Exercise	After 60 Days Early Conversion/Exercise	Conversion/ Exercise Period	Stakeholders
A	Proposed Bond Issue		S\$ 0.2487 10% Discount to the series B Minimum Conversion Price	S\$0.2763, if within 6 months Reset every 6 months based on 6 MONTH VWAP, subject to Series B Minimum Conversion Price of S\$0.2763	5 Years	Securityholders
B	Proposed Warrants (2018 - Shareholders) Issue		S\$0.2487 10% discount to the Warrants (2018- Shareholders) Non-Discounted Exercise Price	S\$0.2763 10% discount to the 6 month VWAP before suspension	5 Years	Shareholders
C	Proposed Warrants (2018 - Securityholders) Issue		S\$0.2763 10% discount to the 6 month VWAP before suspension		2 Years	Securityholders
D	Proposed Series 008 Securities Conversion Share Issue		S\$0.2487 10% discount to the Series 008 Securities Minimum Conversion Price	S\$0.2763, if within 6 months Reset every 6 months based on 6 MONTH VWAP, subject to floor of Series 008 Securities Minimum Conversion Price of S\$0.2763	4 Years	Securityholders
E	Proposed Interest Share Issue	S\$ 0.2763				Securityholders
F	Proposed Securityholders Consent Share Issue	S\$ 0.2763				Securityholders
G	Proposed Warrants (2018-RCF) Issue		S\$0.2487 10% discount to the Warrants (2018-RCF) Non-Discounted Exercise Price	S\$0.2763 10% discount to the 6 month VWAP before suspension	5 Years	Security Lenders
H	Proposed TLF Consent Share Issue	S\$ 0.2763				Security Lenders
I	Proposed Warrants (2018- Unsecured Lenders ) Issue		S\$0.2763, if within 6 months Reset every 6 months based on 6 MONTH VWAP, subject to floor of the Warrants (2018- Unsecured Lenders) Initial Exercise Price of S\$0.2763		5 Years	Others
J	Proposed Professional fees Shares Issue	S\$ 0.2763				Others
K	Proposed Private Subscribers Options Share Issue		Call Option Issue Price: S\$0.2763, if within 6 months Reset every 6 months based on 6 MONTH VWAP , subject to floor of S\$0.2763 Put Option Issue Price: S\$0.2487 or 20% discount to the last full day VWAP, subject to a minimum issue price of S\$0.144		5 Years	Others

Source: Company Corporate Announcement

# Marine & Offshore Engineering (M&OE) Industry Transformation Map (ITM)

The ITM is developed by the O&M Industry Tripartite Committee, which is comprised of government agencies, trade associations and chambers (TACs), unions and industry leaders. Its salient features are as follows:

Primary Objective	Key Strategy -: Diversification	Invest to Grow
Aims to boost employment and sector value addition.	Diversify from existing rig-building, shipbuilding and repair activities.	M&OE firms to invest in advanced manufacturing, develop new solutions
M&OE sector aims to contribute \$5.8b to Singapore's gross domestic product and open around 1,500 new jobs by 2025	New opportunities on the horizon – LNG and offshore wind farms new jobs by 2025	\$3.2b billion budget allocated under the Research, Innovation and Enterprise 2020 plan to support R&D
		Institutionalizing the Technology Centre for Offshore and Marine Singapore (TCOMS)
		Engage with the international fraternity in O&M sector to work on emerging new opportunities

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