



Company Registration Number: 196300098Z

## PRESS RELEASE

# Sembcorp Marine posts first quarter 2019 net profit of \$2 million

### Key highlights

#### **For the first quarter of 2019:**

- Group revenue of \$811 million
- Group net profit of \$2 million
- Net order book of \$5.77 billion

**Singapore, May 3, 2019:** Sembcorp Marine reported net profit of \$2 million for the three months ended March 31, 2019 (1Q 2019), compared with net profit of \$5 million for 1Q 2018.

In 1Q 2019, Group revenue totalled \$811 million, compared with \$1.18 billion booked in 1Q 2018. The revenue decline in 1Q 2019 was largely due to lower revenue from rigs and floaters and offshore platform projects, partially offset by higher revenue from repairs and upgrades.

On a segmental basis:

- Turnover for **Rigs & Floaters** was \$680 million in 1Q 2019, compared with \$1.02 billion in 1Q 2018. 1Q 2018 higher revenue had been due to revenue recognition on delivery of 2 jack-up rigs to Borr Drilling, and 1 jack-up rig to BOTL. Revenue in 1Q 2019 was mainly contributed by higher percentage recognition from drillship and floater projects, including the Transocean drillships, the Shell Vito floating production unit (FPU), the Johan Castberg floating production, storage and offloading (FPSO) and the Karish FPSO

projects, as well as revenue recognition on delivery of one jack-up rig to Borr Drilling.

- **Offshore Platforms** revenue was \$15 million in 1Q 2019, lower than the \$62 million in 1Q 2018 due to the lack of large-scale contracts recognised during the period, as well as low initial revenue recognition from the Hornsea II project. 1Q 2018 had seen contributions from three topside modules for the Culzean platform projects, which were completed and delivered on schedule in June 2018.
- Revenue from **Repairs & Upgrades** totalled \$103 million in 1Q 2019 compared with \$79 million in 1Q 2018, on higher value per vessel. A total of 75 vessels were repaired or upgraded at Sembcorp Marine yards in 1Q 2019 compared with 80 units in 1Q 2018. Average revenue per vessel was higher at \$1.37 million compared with \$0.99 million on improved vessel mix of higher-value works.

Excluding the effects of the delivery in 1Q 2019 of 1 jack-up rig to Borr Drilling, and deliveries in 1Q 2018 of 2 jack-up rigs to Borr Drilling and 1 jack-up rig to BOTL, Group revenue in 1Q 2019 would have been \$608 million, an increase of 27% compared with \$480 million in 1Q 2018.

Earnings before interest, tax, depreciation and amortization (EBITDA) was \$68 million in 1Q 2019, marginally higher than the \$66 million made in 1Q 2018.

Group operating profit for 1Q 2019 was \$7 million, compared with \$20 million in 1Q 2018. 1Q 2018 operating profit had arisen mainly from margin recognition upon the delivery of the BOTL rig. 1Q 2019 operating profit included accelerated depreciation of \$12 million arising from the Group's transformation and yard consolidation strategy, where the Group will move all operations from its Tanjong Kling Yard (TKY) by end 2019, and realise cost savings estimated at \$48 million per annum from FY 2020 onwards.

Higher interest costs of \$32 million was partially offset by higher interest income of \$25 million. The Group posted a pre-tax loss of \$1 million.

Net profit attributable to shareholders was \$2 million, following a tax credit.

New contracts secured to-date totalled \$175 million, for projects comprising the design and construction of a 12,000 cubic metre LNG bunker vessel as well as repair and modernisation works on 13 cruise ships. The Group net order book stands at \$5.77 billion. Excluding Sete Brasil drillships, the net order book is \$2.65 billion.

**Table A: Financial Highlights:**

<b>Group (\$ million)</b>	<b>1Q 2019</b>	<b>1Q 2018</b>	<b>% change</b>
Turnover	811	1,180	(31)
Gross Profit	22	43	(50)
EBITDA	68	66	3
Operating Profit	7	20	(64)
(Loss) / Profit before tax	(1)	6	n.m.
Net Profit	2	5	(68)
EPS (basic) (cts)	0.08	0.25	(68)
NAV (cts)	110.73	110.68*	
* as at 31 Dec 2018			

## **Balance Sheet and Cash Flow**

Net debt totalled \$3.46 billion, with net debt to equity at 1.47 times as at 31 March 2019 compared with 1.44 times as at 31 December 2018. Operating cash flow generated before working capital changes was \$69 million in 1Q 2019 compared with \$67 million in 1Q 2018. Net cash used in operations in 1Q 2019 was neutral, mainly due to working capital requirements for ongoing projects, offset by receipts from completed projects.

## Market Outlook

Global capex spend for offshore exploration and production (E&P) continues to improve especially for the offshore production segment. Offshore drilling activities saw some improvement in day rates and utilisation levels for some drilling segments.

Sembcorp Marine is responding to increasing enquiries and tenders for offshore production units, innovative engineering solutions and projects related to the gas value chain.

The outlook for ship repairs and upgrades continues to improve, underpinned by higher work volume from the new IMO regulations requiring the installation of ballast water treatment systems and gas scrubbers.

Overall, competition remains intense, and production activity for the Group is expected to remain low. We will continue to take steps to manage our costs, cash flows and gearing to address our balance sheet and to capitalise on new business opportunities.

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