



Company Registration Number: 196300098Z

## PRESS RELEASE

### **Sembcorp Marine posts 4<sup>th</sup> Quarter 2018 net profit of \$6 million, full year 2018 net loss of \$74 million**

#### **Key highlights**

##### **For the 4<sup>th</sup> Quarter 2018**

- 4Q 2018 net profit of \$6 million

##### **For the full year 2018**

- Group revenue of \$4.89 billion (*including sale completion of West Rigel rig for US\$500 million*)
- Net loss of \$74 million (*including loss of \$34 million on the sale of West Rigel rig*)
- \$1.18 billion in new contracts secured in FY 2018
- Net order book of \$6.21 billion to-date

**Singapore, February 20, 2019:** Sembcorp Marine posted net profit of \$6 million for 4Q 2018. For FY 2018 net loss was \$74 million.

Group revenue was \$4.89 billion for the twelve months to December 31, 2018, compared with \$3.03 billion generated in FY 2017 (restated for accounting changes on adoption of SFRS (I) from January 1, 2018).

The higher revenue in FY 2018 was largely due to revenue recognition on delivery of 7 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL, the sale of the West Rigel semi-submersible rig (renamed Transocean Norge) and higher percentage recognition for ongoing drillships and newly secured offshore production projects in FY 2018.

On a segmental basis:

- Turnover for **Rigs & Floaters** was \$4.15 billion in FY 2018, compared with \$1.72 billion in FY 2017. The higher revenue was related to recognition of the Borr Drilling and BOTL jack-up deliveries, sale of West Rigel (Transocean Norge) semi-submersible rig, and revenue recognition for ongoing production and drillship projects.
- **Offshore Platforms** revenue was \$184 million in FY 2018, lower than the \$732 million in FY 2017 due to fewer contracts on hand, and completion of existing projects. Three topside modules for the Culzean platform projects were completed and delivered on schedule in June 2018.
- Revenue from **Repairs & Upgrades** totalled \$476 million in FY 2018 compared with \$499 million in FY 2017 on fewer ships repaired. A total of 296 ships and other vessels were repaired or upgraded in the 12 months compared with 390 units in FY 2017. Average revenue per vessel was higher at \$1.61 million compared with \$1.28 million on improved vessel mix of higher-value works.

Excluding the sale of West Rigel and rig deliveries to Borr Drilling and BOTL, Group revenue for FY 2018 totalled \$2.53 billion, largely unchanged from \$2.55 billion in FY 2017.

For FY 2018, the Group posted an operating loss of \$52 million, and a net loss of \$74 million due to (i) continued low overall business activities and (ii) the sale of West Rigel at a loss of \$34 million.

This compares with FY 2017 operating profit of \$306 million and net profit of \$260 million, partly due to the gain of \$65 million from the divestment of shares of Cosco Group and the net positive effect of contract termination of rigs of \$241 million (restated for accounting changes on adoption of SFRS (I)). (Please refer to Table A)

The Group secured \$1.18 billion in new orders in FY 2018, bringing net order book to \$6.21 billion. Excluding Sete Brasil drillships, net order book stands at \$3.09 billion.

**Table A: Effects of Non-recurring items:**

| Group (\$ million)  | 4Q 2018     | 4Q 2017<br>(restated) | %<br>Change   | FY 2018       | FY 2017<br>(restated) | %<br>Change   |
|---|-------------|-----------------------|---------------|---------------|-----------------------|---------------|
| <b>Net Profit/(Loss)</b>  | <b>5.9</b>  | <b>117.3</b>          | <b>(95.0)</b> | <b>(74.1)</b> | <b>260.2</b>          | <b>n.m.</b>   |
| <b>Add / (Less) Non-recurring /one off items</b>                      |             |                       |               |               |                       |               |
| Non-operating income - Sale of Cosco shares                           | -           | (17.1)                | n.m.          | (0.1)         | (64.8)                | <b>(99.8)</b> |
| Non-operating expenses  | -           | 6.8                   | n.m.          | -             | 13.3                  | n.m.          |
| Sale of West Rigel  | -           | -                     | n.m.          | 34.0          | -                     | n.m.          |
| Accelerated depreciation  | 12.0        | -                     | n.m.          | 12.0          | -                     | n.m.          |
| Impairment of asset   | 4.7         | -                     | n.m.          | 4.7           | -                     | n.m.          |
| Effects of contract termination                                       | -           | (151.8)               | n.m.          | (39.0)        | (249.8)               | n.m.          |
|   | 16.7        | (162.1)               | n.m.          | 11.6          | (301.3)               | n.m.          |
| <b>Net Profit/(Loss)<br/>(excluding non-recurring, one-off items)</b> | <b>22.6</b> | <b>(44.8)</b>         | <b>n.m.</b>   | <b>(62.5)</b> | <b>(41.1)</b>         | <b>52.1</b>   |

\*Restated to reflect accounting changes on adoption of SFRS (I).

**Table B: Financial Highlights:**

| Group (\$ million)         | 4Q 2018 | 4Q 2017<br>(Restated)* | % change | FY 2018 | FY 2017<br>(Restated)* | % change |
|----------------------------|---------|------------------------|----------|---------|------------------------|----------|
| Turnover                   | 913.2   | 911.6                  | -        | 4,887.9 | 3,034.8                | 61       |
| Gross Profit               | 19.9    | 130.9                  | (85)     | 3.1     | 345.8                  | (99)     |
| EBITDA                     | 59.1    | 183.5                  | (68)     | 143.1   | 498.6                  | (71)     |
| Operating Profit/(Loss)    | 2.0     | 135.4                  | (98)     | (52.3)  | 305.7                  | n.m.     |
| (Loss) / Profit before tax | (5.6)   | 127.8                  | n.m.     | (100.9) | 280.9                  | n.m.     |
| Net Profit/ (Loss)         | 5.9     | 117.3                  | (95)     | (74.1)  | 260.2                  | n.m.     |
| EPS (basic) (cts)          | 0.28    | 5.61                   | (95)     | (3.55)  | 12.45                  | n.m.     |
| NAV (cts)                  |         |                        |          | 110.68  | 116.81                 |          |

\*Restated to reflect accounting changes on adoption of SFRS (I).

**4Q 2018 versus 4Q 2017**

On a quarterly basis, Group turnover for 4Q 2018 of \$913 million was largely unchanged from the previous year. During the quarter, the Group booked significant revenue from higher percentage recognition for ongoing production and drillship

projects. This was offset by lower revenue from Offshore Platforms following the completion and delivery of the Culzean Platform Project earlier in the year.

The lower net profit of \$6 million reported in 4Q 2018, compared with 4Q 2017, was due to the continued low overall business volume, impairment of an asset and accelerated depreciation costs. This was partially offset by increased margin recognition from the newly secured floater projects and the write-back of provisions for completed projects.

The \$117 million net profit in 4Q 2017 was mainly boosted by the net positive effects of contract termination of three rigs contracts and a one-off gain on disposal of Cosco Group shares recorded in 4Q 2017.

As part of the Group's transformation and yard consolidation strategy, the Group will move all operations from its Tanjong Kling Yard (TKY) by end 2019, four years ahead of schedule. This will result in accelerated depreciation of assets at TKY amounting to \$60 million over 15 months, from 4Q 2018 to end 2019. After the move, the Group will realise cost savings estimated at \$48 million per annum from FY 2020.

## **Balance Sheet and Cash Flow**

Net debt totalled \$3.39 billion, with net debt to equity at 1.44 times as at 31 December 2018 compared with 1.37 times as at 9M 2018 and 1.13 times as at end FY 2017. Operating cash flow generated before working capital changes was \$157 million in FY 2018 compared with \$489 million in FY 2017, due to effects of contract termination of 5 rigs in FY 2017, arising from adoption of SFRS (I). Cash used in operations in FY 2018 was \$121 million, mainly due to working capital for ongoing projects, offset by receipts from ongoing and completed projects.

## **Final Dividend**

After due deliberation, the Board has adopted a prudent approach to conserving cash in light of the challenging business environment. As such, no interim and final dividend has been declared for FY 2018. For FY 2017, total dividend was 2.0 cents per share.

## Market Outlook

Global capex spend for offshore exploration and production (E&P) is expected to improve further. While offshore drilling activities have increased, offshore rig orders will take some time to recover as the market remains over-supplied.

Offshore production units are expected to dominate orders pipeline and Sembcorp Marine is responding to increasing enquiries and tenders for innovative engineering solutions.

The ship repairs and upgrades segment remains intensely competitive although the market is expected to improve with higher work volume from the new IMO regulations requiring the installation of ballast water treatment systems and gas scrubbers.

Overall business volume and activity for the Group, while stabilizing, is expected to remain relatively 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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