



Company Registration Number: 196300098Z

## PRESS RELEASE

### Sembcorp Marine posts 9M 2019 net loss of \$59 million

#### Key highlights

#### **For the nine months to Sep 30, 2019 (9M 2019):**

- Group revenue of \$2.26 billion
- 9M 2019 EBITDA of \$134 million
- Group net loss of \$59 million
- Net order book of \$2.42 billion (excluding the Sete Brasil drillships)

**Singapore, November 13, 2019:** Sembcorp Marine posted a net loss of \$59 million for the nine months ended September 30, 2019 (9M 2019), compared with the net loss of \$80 million for 9M 2018.

Group revenue for 9M 2019 totalled \$2.26 billion, compared with \$3.97 billion booked in 9M 2018. The revenue decline in 9M 2019 was largely due to lower revenue from rigs & floaters and offshore platform projects, partially offset by higher revenue from repairs & upgrades.

On a segmental basis:

- Revenue for **Rigs & Floaters** was \$1.74 billion in 9M 2019, compared with \$3.40 billion in 9M 2018. The higher revenue in 9M 2018 had been due to revenue recognition on delivery of 7 jack-up rigs and the sale of a semi-submersible rig. Revenue in 9M 2019 was mainly contributed by higher percentage recognition from drillship and floater projects. They included the Transocean drillships, the Shell Vito floating production unit (FPU), the Johan Castberg floating, production, storage and offloading vessel (FPSO), and the Karish FPSO projects.

- **Offshore Platforms** revenue was \$89 million in 9M 2019 with revenue recognition from the Hornsea II windfarm substations and Tangguh module projects. 9M 2018 revenue of \$172 million was higher with contributions from the Culzean platform projects, which were completed and delivered in June 2018.
- Revenue from **Repairs & Upgrades** totalled \$391 million in 9M 2019 compared with \$336 million in 9M 2018, attributed to higher revenue per vessel at \$1.78 million (9M 2018: \$1.46 million) on improved vessel mix of higher-value works. A total of 220 vessels were repaired or upgraded at Sembcorp Marine yards in 9M 2019 (9M 2018: 230 units).

Group operating loss for 9M 2019 was \$50 million, compared with 9M 2018 operating loss of \$54 million. Despite improved margin recognition from recently secured production floater projects, 9M 2019 operating loss was due mainly to continued low overall business volume and accelerated depreciation of \$30 million arising from the Group's transformation and yard consolidation strategy, where the Group will relocate 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.

Net finance cost for 9M 2019 was lower at \$29 million. Net loss attributable to shareholders was \$59 million, lower than the 9M 2018 net loss of \$80 million.

Amidst challenging market conditions, the Group secured new contracts of \$845 million to-date from a broad-based and technically demanding range of projects and customers. They include:

- Design and construction of a 12,000 cubic metre LNG bunker vessel;
- Upgrade of 13 cruise ships, and a large-scale refit of Japan's largest cruise ship, the Asuka II, for NYK Cruises;
- Conversion of the Ariake tanker into an FPSO for Shapoorji Pallonji Oil and Gas and Bumi Armada;
- Conversion / Upgrade of 3 Floating Storage and Regasification Unit (FSRU) / Floating Storage Unit (FSU) projects;
- Fabrication of 15 jacket foundations for the Formosa 2 Offshore Wind Farm project;
- Building and integration of the topside and hull of a floating production unit (FPU) for Shell Offshore Inc. for the Whale field in the Gulf of Mexico.

With these new contracts, the Group's net order book stands at \$2.42 billion (excluding the Sete Brasil drillship contracts).

**Table A: Financial Highlights:**

Group (\$ million)	3Q 2019	3Q 2018	% change	9M 2019	9M 2018	% change
Turnover	717.2	1,167.2	(39)	2,259.0	3,974.7	(43)
Gross Loss	(46.2)	(12.8)	n.m.	(19.8)	(16.8)	18
EBITDA	9.2	22.2	(58)	134.3	84.0	60
Operating Loss	(52.9)	(21.3)	n.m.	(50.2)	(54.4)	(8)
Loss before tax	(64.4)	(35.0)	84	(80.7)	(95.3)	(15)
Net Loss	(52.6)	(29.8)	77	(59.5)	(80.1)	(26)
EPS (basic) (cts)	(2.52)	(1.42)	77	(2.85)	(3.83)	(26)
NAV (cts)				107.72	*110.68	-
* as at 31 December 2018						

### 3Q 2019 versus 3Q 2018

On a quarterly basis, Group turnover for 3Q 2019 was at \$717 million compared with \$1.17 billion in 3Q 2018. The higher revenue in 3Q 2018 had been due to revenue recognition on delivery of 2 jack-up rigs.

Group EBITDA was \$9 million compared with \$22 million in 3Q 2018.

The Group incurred a net loss of \$53 million in 3Q 2019 compared with a net loss of \$30 million in 3Q 2018, partly due to lower business activities and the accelerated depreciation of \$10 million arising from the Group's transformation and yard consolidation strategy. The higher than expected loss also resulted from additional costs for rigs & floaters projects.

## **Five-year \$2.0 billion Subordinated Loan Facility**

On June 21, 2019, Sembcorp Marine announced jointly with Sembcorp Industries (SCI) that it had secured a five-year subordinated loan facility totalling \$2 billion from SCI, which will strengthen the Group's financial position. SCI is the largest shareholder of Sembcorp Marine with a 61% stake in the Company.

Approximately \$1.5 billion of the subordinated loan was deployed to retire a majority of the Group's short-term borrowings and re-profile debt from short-term to longer term.

On October 23, 2019, the Group announced that it had obtained the consent of its bondholders to revise the definition of its debt covenant to exclude the \$2 billion subordinated loan facility from the Group's net debt to improve its financial flexibility.

## **Balance Sheet and Cash Flow**

As at September 30, 2019, the Group's net debt totalled \$3.68 billion. Net debt to equity ratio was 0.96 times, compared with 1.42 times as at June 30, 2019.

Operating cash flow generated before working capital changes was \$146 million in 9M 2019 compared with \$89 million in 9M 2018.

Net cash used in operating activities for 9M 2019 was \$17 million, mainly for working capital for ongoing projects, offset by receipts for completed projects.

As at September 30, 2019, the Group had net current liabilities totalling \$297 million, as a result of reclassification of current portion of long-term borrowings. This will be re-profiled following the partial repayment of \$1.5 billion of borrowings drawn from the recent \$2 billion subordinated loan facility.

## **Settlement Agreement with Sete Brasil**

On October 7, 2019, the Group announced that it had reached a full and final settlement of the claims under all 7 drillship contracts signed with the Sete Brasil Group, subject to certain conditions precedent being fulfilled. Upon fulfilment of the conditions precedent, all 7 drillship contracts will be terminated and the parties will mutually release each other from all claims in relation to the contracts.

Under the settlement, the title to 5 of the 7 drillships will be retained by the Group, while the titles to the remaining 2 (which are in the most advanced stage of construction) will be shared between the Group and Sete Brasil in proportion to payments received by the Group from Sete Brasil.

Sete Brasil has selected Magni Partners as a purchaser of the 2 drillships. The Group is in negotiation with Magni Partners to enter into new contracts to complete the drillships.

The Group will make further announcements when all the conditions precedent have been fulfilled and the Settlement Agreement has become effective.

## **Market Outlook**

Challenges in the offshore and marine sector persist and competition remains intense. Activity levels in all segments remain low except for repairs and upgrades, which continues to improve, underpinned by the cruise ship segment, and IMO regulations that require installation of ballast water treatment systems and gas scrubbers.

The company is expecting the trend of losses to continue into the 4<sup>th</sup> Quarter, and the full year loss to be higher than last year.

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