PACIFIC RADIANCE

2QFY2017 Results Presentation

14 August 2017

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Financial Performance

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PROFIT & LOSS STATEMENT

US$'000	2QFY2017	2QFY2016	1HFY2017	1HFY2016
Revenue	17,507	20,010	31,476	38,376
Gross Loss	(975)	(7,716)	(7,973)	(9,043)
Pre-tax Loss	(8,071)	(62,063)	(22,861)	(68,586)
Loss After Tax	(8,489)	(62,848)	(23,738)	(69,712)
Less: Impairment	360	45,969	386	46,074
Loss After Tax (excl. impairment)	(8,129)	(16,879)	(23,352)	(23,638)
EBITDA	4,314	(50,440)	1,580	(46,664)

2QFY2017 & 1HFY2017

- **Revenue**
  - ✓ Declined yoy by 13% in 2QFY2017 and 18% in 1HFY2017 due mainly to lower vessel utilisation and charter rates in the Offshore Support Services segment (OSS)
  - ✓ However, 2QFY2017 revenue is 2nd consecutive rise since 4QFY2016 on improving fleet utilisation, especially of OSS, and higher contribution from ship repair yard (operational since August 2016)

- **Gross Loss**
  - ✓ Declined yoy by 87% in 2QFY2017 and 12% in 1HFY2017 due mainly to improved performances in subsea division and contribution from the shipyard

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BALANCE SHEET

US$'000	As at 30 Jun 2017	As at 31 Dec 2016
Non-current assets	720,394	736,569
Current assets	173,055	167,758
Current liabilities	132,602	122,687
Non-current liabilities	495,057	492,620
Shareholders' funds	265,790	289,020
Net gearing (x)	1.8	1.6

As at 30 Jun 2017

- Non-current assets declined due mainly to decrease in property, plant and equipment of US$15.7m
- Non-current liabilities increased due mainly to increase in non-current bank loans and notes payable by US$6.2M; partially offset by decrease in derivatives of US$4.1m
- Current liabilities increased due mainly to increase in trade payables, current bank loans, amounts due to related companies, and other liabilities; partially offset by decrease in provision of taxation of US$0.5m
- Current assets increased due mainly to increase in trade receivables, other receivables, amounts due from related companies, partially offset by decrease in cash and bank balances of US$14.3m
- Total bank loans and notes payable was US$522.5m; net gearing edged up to 1.8 times as at 30 June 2017

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CASHFLOW STATEMENT

(US$'000)	2QFY2017	2QFY2016
Net cash flows used in operating activities	(10,388)	(10,905)
Net cash flows generated from/(used in) investing activities	796	(14,112)
Net cash flows generated from financing activities	22,166	23,156
Net increase/(decrease) in cash	12,574	(1,861)
Cash and cash equivalents at beginning of period	15,220	25,261
Cash and cash equivalents at end of period	27,811	23,379

2QFY2017

- Net cash outflow from operating activities due to the loss position and net increase in working capital requirements
- Net cash generated from investing activities due mainly to proceeds from sale of property, plant and equipment of US$2.2m, partially offset by net loan to related companies of US$1.0m and additions to property, plant and equipment of US$0.4m
- Net cash generated from financing activities due mainly to proceeds from bank loans of US$33.5m, partially offset by repayment of bank loans of US$11.2m.

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Outlook & Strategy

OUTLOOK

- While there has been a pick-up in activity in the offshore market, operating conditions are expected to remain challenging over the next 12 months.

- Nevertheless, the range bound trading in oil prices between US$45-50pb has given some 'stability' in the industry. Current oil price levels are supported by:
  - ✓ Generally strong compliance to the agreed production cuts by oil producers to 1Q2018 in May 2017.
  - ✓ Uptick in the world economy since the start of 2017 **–** the IMF expects world growth to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018 with a long-awaited cyclical recovery in investment, manufacturing and trade.

- Some industry experts believe that the oil industry has successfully adapted to oil prices @ US$50pb
  - ✓ BMI Research **–** major offshore projects sanctioned by the big five oil companies over 1HFY2017 have a clear break even target price of $40pb or lower.
  - ✓ Goldman Sachs **–** oil majors are getting more cash at current levels from its projects than at oil at US$100.

Source:
1. IMF World Economic Outlook April 2017:
http://www.imf.org/en/Publications/WEO/Issues/2017/04/04/world-economic-outlook-april-2017#Chapter1
2. CNBC, 3 August 2017:
https://www.cnbc.com/2017/08/03/reuters-america-update-4-oil-falls-on-high-opec-supplies-despite-lower-u-s-crude-stocks.html

STRATEGY

Revenue – pressing on with marketing efforts

- Ramp up marketing efforts to lift fleet utilisation
- Work to grow shipyard contributions

Cashflow – further cost-cutting measures

- Rein in costs with continued cost-cutting and streamlining (started since end-2014)
  - ✓ Right-sizing of fleet
  - ✓ Reduction of overheads
  - ✓ Impact of cost savings to be evident in 2HFY2017

- Review of overall capital structure
  - ✓ Recently appointed advisors to assist in reviewing the overall capital structure and develop a feasible restructuring plan that allow the Group to sustain its operations in the current environment and for the long term

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Thank You

Questions & Answers

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