

**Morgan Stanley**  
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# Summary



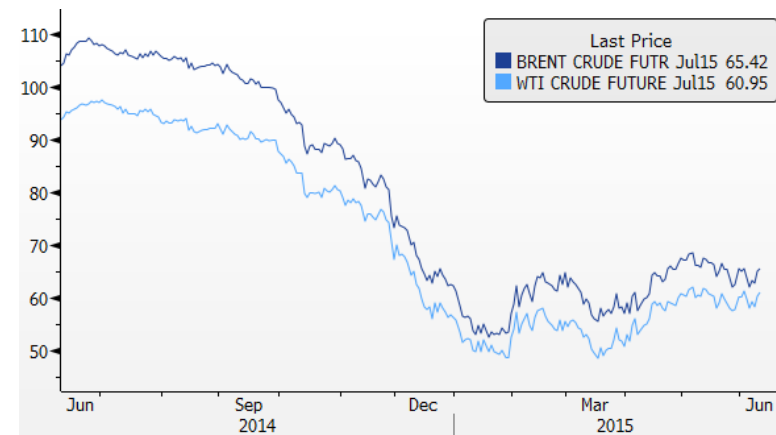
- Macro environment continues to be challenging
- Vessel utilisation remains under pressure both in Australia and Internationally
- Day rates have reduced by 10-15% in Australia and 15-30% Internationally
- Expect soft conditions to continue for the remainder of the financial year and into FY2016
- Vessel sales programme challenging in current market but continuing to negotiate sales contracts
- Newbuild programme progressing as planned and funded from internal cash flows
- Supply Base activity has also reduced due to delays in drilling and generally lower offshore activity
- On track to exceed \$15m cost reduction and productivity improvement target
- Balance sheet remains strong and MMA continues to operate within the terms and conditions of its debt facilities
- FY2015 earnings expected to be in line with previous trading update
- Expect trading conditions to remain soft into FY2016 but actions currently being undertaken to streamline the business will position us well for the upswing in the cycle



# Macro Conditions

## Challenging conditions continue as low oil prices result in reduced expenditure by oil and gas companies

- **Oil price** - Brent currently trading around US\$65 a barrel up from its \$52 low in January but still down 40% on where it was 12 months ago
  - OPEC showing no signs of reducing production
  - US shale rig count has fallen but advances in technology continue to reduce their cost of production
  - Iran sanctions deal causing further supply uncertainty
- **E&P spend** – oil majors have cut budgets by 10-30%
- **OSV market** - intense competition for fewer contract opportunities and lower rates being negotiated on both new and existing contracts
- **MMA** - lower utilisation and reduced margins



# Australian Vessels Market



**Australian construction activity is ongoing with major sanctioned LNG projects underway but some schedules are being pushed out and the low oil price is having a negative impact on discretionary spending and day rates**

- **Gorgon** – Construction plan has majority of current contracts rolling off by Dec-15, though expect some to be extended. Long term production support is under tender
- **Ichthys** – Further infield subsea installation scopes being tendered
- **Wheatstone** –Tug and Barge scope expected to commence Q2 FY16 (tendered)
- **Prelude** – Small contracts expected for 2H FY15; Tug & Barge and Supply Vessel scope to commence Q3 FY16; Hook up and Commissioning scope Q4 FY16 / FY17 (to be tendered)
- **Drilling** – reduced activity expected although a number of development drilling campaigns are still scheduled by the major oil and gas companies (11 rigs currently operating)
- **Inspection Maintenance Repair** – marketing longer term IMR vessels with newbuilds MMA Prestige and MMA Pinnacle launching in next financial year.
- **Production Support** – Bidding significant vessel support contracts for three separate clients totalling 20 Years (FY17 impact)

**Subdued activity levels expected for the remainder of FY2015 and into FY2016 with current construction project work scopes completing and oil companies reducing discretionary spending.**



# International Vessels Market

The lower oil price has translated into lower vessel utilisation and reductions in day rates

AHTS < 5,000 bhp

- Very challenging segment with excess of vessels and highly commoditised market, low cost to entry
- New build vessels still arriving into the market from speculators without operating capability
- Owners prepared to operate at historically low rates

AHTS 8,000bhp –  
12,000 bhp

- 8,000 AHTS market utilisation holding at approx. 70 – 80% across construction, production and exploration sectors
- Larger AHTS vessel rates and utilisation under continuing pressure as deep water exploration pull backs by oil companies reduces utilisation

PSVs

- Large order book for new builds in mid to large vessel size
- Decline in exploration resulting in lower activity
- Large PSVs are purposely designed for deep water drilling which has declined
- Excess of larger PSVs pushing rates down in all sizes

Specialist Vessels

- Construction vessels now completing work scopes and looking for further opportunities
- Specialist vessels need to be right sized for the markets
- Work loads for small to mid size vessel should continue in IMR and small construction activities

# International Outlook



## The lower oil price has translated into lower vessel utilisation and reductions in day rates

- Activity in Asia and Africa is being significantly impacted by oil and gas companies reducing capital expenditure and looking to lower their operating costs
- The market in the Middle East is holding up in terms of utilisation but downward pressure on rates in the order of 20%
- A number of projects and campaigns have been cancelled or deferred with others being re-tendered to achieve lower pricing
- Vessel operators are pricing aggressively to maintain utilisation and rates have been under pressure across all vessel types – especially smaller AHTS market
- Several of MMA's long term contracts have been reduced in term or have not been extended as anticipated and a number of contracts have been renegotiated at lower rates in order to maintain utilisation
- We continue to see activity in all regions, with tenders being released for new and existing work and MMA continues to secure new short term contracts, albeit at lower rates.
- International vessel utilisation approximately 65% for second half of the year to date
- Expect market conditions to remain subdued into FY2016.



# Asset Sales



**Focused on reducing our smaller sized fleet and optimising our fleet in line with our strategy**

- Market continues to be challenging in the current environment
- Rationalising 5,000 bhp AHTS fleet, small fleet and barges
- Selectively targeting other vessel sales as appropriate
- Vessels being actively traded in spot market whilst marketed to sale opportunistically
- Cost control programme in place for vessels in between spot contracts
- Targeting \$50m in vessel sales by end of FY2016
- Looking to market sales candidates into tender opportunities





# Newbuild Programme

## 5 high specification, specialised vessels under construction



### **2 x ROV Support Vessels**

*MMA Pinnacle & MMA Prestige*

Under construction at MMA's Batam Shipyard

Completion Q2 and Q3 FY2016

Targeting the growing subsea IMR market

Key markets – Australia, South East Asia, Africa, Middle East



### **1 x Multipurpose Maintenance Work Vessel**

*MMA Privilege*

Under construction at MMA's Batam Shipyard

Completion Q1 FY2016

Targeting production support (maintenance) market

Key markets – Malaysia, Brunei, Middle East, West Africa



### **2 x PSVs**

*MMA Plover and MMA Brewster*

Vard 1 08 design, modified to meet clients unique specifications

Under construction at VARD shipyard in Vietnam

Completion Q3 FY2016

Contracted to INPEX for Ichthys Production Support (FY17) - term 5 years

+ 2 x 5y options – value A\$160m and up to A\$500m including options

# Land Based Facilities

- **Dampier Supply Base**
  - softer second half expected with reduced drilling and general supply base activity
  - Tendering long term production contracts
- **Broome Supply Base** – trading in line with expectations
- **Dampier Slipway** – fourth quarter below expectations
- **Batam Shipyard** – completing three internal newbuild vessels
- **Singapore Offshore Engineering** – beginning to generate revenue from new service offering



# Cost Reduction



**MMA has completed Phase 1 of its cost reduction programme and is on track to exceed targeted annualised savings of \$15m**

## **Key Focus Areas:**

- **Headcount:**
  - Restructuring programme – 92 positions made redundant in addition to reduction in headcount through non replacement of positions and recruitment freeze
  - Corporate Overheads
  - Operational Overheads
  - Stevedoring
  - Technical Staff
- **Procurement and Supply Chain**
  - Tendered Top 20 spend items across the organisation
  - Seeking 10-20% reductions
- **Cost control**



# Balance Sheet



## Balance sheet remains strong

- Gearing – 36%
- Cash at Bank – \$120m
- Debt Facilities
  - Drawn down - US\$ 210m; A\$185m
  - Remaining Term – four years
  - Average interest rate – 3.6%
  - Covenants – MMA continues to operate within the terms and conditions of its debt facilities
- Capex
  - Committed newbuild capex of approximately A\$120m completed through FY2016
  - To be funded from internal cash flows



# Building for the future



**Actions currently being undertaken to streamline the business will position us well for the upswing in the cycle**

- Sustainable cost reduction
- Vessel rationalisation - reducing non core assets
- Improving operational capability - utilisation, reliability, productivity
- Leveraging our technical expertise internationally
- Organisational alignment – accountabilities
- Regional diversification – high quality operations in all regions
- Enhancing safety systems and compliance
- Building key client relationships
- Long term financial stability and efficiency



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